

**THE CHALLENGE OF COLLEGE AFFORDABILITY:
THE STUDENT LENS**

HEARING
OF THE
**COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS**
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FIRST SESSION

ON

EXAMINING COLLEGE AFFORDABILITY

APRIL 16, 2013

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THE CHALLENGE OF COLLEGE AFFORDABILITY: THE STUDENT LENS

TUESDAY, APRIL 16, 2013

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:02 a.m., in room SD-430, Dirksen Senate Office Building, Hon. Tom Harkin, chairman of the committee, presiding.

Present: Senators Harkin, Alexander, Baldwin, Murphy, Franken, Murray, and Whitehouse.

OPENING STATEMENT OF SENATOR HARKIN

The CHAIRMAN. The Senate Committee on Health, Education, Labor, and Pensions will come to order. A little over a year ago, this committee launched a series of hearings to examine the challenge of college affordability. So far we've held three hearings. We've heard from the administration, from both traditional and on-line universities and community colleges, from State officials, higher education associations, think tanks and researchers, among others.

Today, in our fourth and final hearing in this series, we'll examine this issue through the lens of students. We'll listen to their voices, their experiences, and their ideas. Since our last hearing in September, we have continued to be reminded of the enormous difficulties that students from lower income families face in their efforts to get a college education. In the fall, new data showed that two-thirds of college seniors who graduated in 2011 had an average student loan debt of \$26,600, which was a 5 percent increase from the previous graduating class.

This continuous upward trend has persisted despite the tripling of Federal grant aid and constant dollars over the past decade. Last month, a report by the State Higher Education Executive Officers warned that public higher education, which educates 70 percent of the students in this country, is about to cross an historic threshold. For the first time ever, students will pay a higher percentage of operating costs of public universities than State governments.

In 2012, net tuition revenue made up 47 percent of public colleges' educational costs. By comparison, in 2001, tuition was 29 percent of the costs. We've learned that first student spending from State and local sources fell to less than \$5,900 in 2012, a 9 percent

decrease just from the year before, and a quarter century low for the third consecutive year.

The implications for affordability of this cost shifting is obvious: As States continue retrenching from their historic responsibility as primary supporters of public higher education, students and their families are asked to shoulder an ever-growing burden of cost. And where do they go for that? They go to loans and Pell grants, of course.

Finally, I recently came across these shocking statistics: Students from wealthy families are seven times as likely to have earned a bachelor's degree by age 24 than those from poor families. And this disparity has grown over the last 40 years. Between 1970 and 2010, the proportion of 24-year-olds with a bachelor's degree who came from the lowest quartile of family income grew from 6 percent to 10 percent over 40 years, while in the wealthiest quartile the proportion grew from 40 percent to 71 percent.

In addition, when one takes academic preparation into consideration, the disparity is even more striking: A high-achieving student of limited means has the same chance of attending college as a low-achieving student from a more advantaged background. At the lowest achievement level, a wealthy student is about twice as likely to attend college as his low-income peer.

It is estimated that over the past decade, 4.4 million college qualified low-income high school graduates did not attend 4-year colleges, and an additional 2 million did not attend colleges at all. What this tells me is that something needs to change and urgently if we want America's higher education system to be an engine of equal opportunity and not a system that perpetuates and actually broadens inequality.

There is no bigger economic or educational failure than having a committed and prepared student who has to forego a postsecondary education because it's just too expensive. The upcoming reauthorization of the Higher Education Act will be an historic opportunity to get a handle on runaway costs, stop the shifting of costs onto students, and get our higher education back on track. And we'll continue to hold hearings on these issues as we move forward.

I might just add, parenthetically, that one of the most important priorities right now in the next couple of months is to maintain the affordability of college loans. As you know, they are set to double from 3.4 to 6.8 percent again in June, as they were last year. We kept it low for a year, and we're doing everything we can to try to keep it low, down at 3.4 percent. The President's budget prevents that from doubling, and there are other proposals. But, again, this is something that we cannot afford to do, to let that double at this point in time.

I'm looking forward to hearing from our students. I read your testimonies last night. They're all very good. And with that, I invite Senator Alexander for any opening remarks.

OPENING STATEMENT OF SENATOR ALEXANDER

Senator ALEXANDER. Thanks, Mr. Chairman, and welcome to the witnesses today. I thank the chairman for his leadership on this issue. This is, as he said, the fourth hearing.

Why is the cost of college going up? Insofar as public colleges and universities, which is where three out of four students attend, the first reason is the cost of Federal Medicaid mandates. The mandates force States to spend money on Medicaid that they would otherwise spend on public higher education. As a result, tuitions go up to make up the difference.

For example, in the 1980s in Tennessee when I was the Governor, Medicaid took 8 percent of the State budget. Today, it's 26 percent of the State budget, soaking up money that could be used to reduce tuitions. Senator Harkin is correct. There has been a dramatic change in State support for public higher education.

In the 1980s in Tennessee, the State paid 70 percent of the cost of your going to a public college or university. Today, it pays 30 percent, and the student pays 70 percent. So the first reason is because of Federal Medicaid mandates.

The second reason is because of the inefficient use of campus facilities. The former president of George Washington University said that simply requiring one mandatory summer session for every student in 4 years, as Dartmouth does, would improve his institution's bottom line by \$10 million to \$15 million a year. You could run two complete colleges, he said, with two complete faculties in the facilities now used half the year for one. Those savings could be used to reduce the cost of going to a college and to improve the quality of the college.

To save money and reduce costs, some colleges are experimenting with 3-year degrees for appropriate students, and some States, like Tennessee, are allocating funds to colleges that do a better job of helping students graduate in 4 years. Obviously, you save money if you go and complete your work in 4 years instead of 5 or 6.

The third reason college costs are so much is because of an absurd barrage of well-intentioned Federal regulations. The Stanford University president said complying with them consumed 7 percent of his budget. I voted against the last Higher Education Act because it authorized a new stack of regulations as tall as I am, and the existing stack was already that tall. Senators Mikulski, Burr, Bennet and I, with Chairman Harkin's encouragement, are going to go to work on this.

The fourth reason college costs so much could be the huge amount of Federal money which follows students to the college of their choosing. The average Pell grant today, about \$3,600, exceeds the cost of tuition at the average community college, \$3,100. The average Federal undergraduate student loan is about \$2,000 less than tuition at the average 4-year public university.

These loans have become easy money. An undergraduate student who is still classified as a dependent on his or her parents' tax returns can borrow up to \$31,000 in Federal loans at either the 6.8 percent interest rate on unsubsidized loans or the 3.4 percent rate on subsidized loans. The President has recommended—and I agree with his thinking—that we consider a form of variable rates so students can take advantage of the lower rates, for example, that exist today.

If a student is independent from their parents, he or she can borrow up to \$57,500 in Federal loans to pay for college. Some private banks will offer loans to students at rates between 5.75 and 13 per-

cent. These loans may be easy to get, but they are hard to pay back. Many Americans find themselves unable to pay the loans back, and taxpayers find themselves holding worthless notes.

Taxpayers as well as students have something at stake here. These grants and loans cost taxpayers quite a bit of money or add quite a bit to the Federal debt. Pell grants were \$33 billion last year. There were \$105 billion in new Federal loans last year, all provided by the Federal taxpayer. The total of Federal student loans is approaching \$1 trillion. About half our students at our 6,000 institutions have either a Federal grant or a Federal loan to help pay for college.

I'd like to see Congress address all four of these contributors to the rising cost of college as well as look at ways we can help students make better decisions about how much money to borrow when they feel the need to borrow.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Alexander. Now, we'll turn to our introductions, and, first, I'll invite Senator Murphy to introduce our first witness.

STATEMENT OF SENATOR MURPHY

Senator MURPHY. Thank you very much, Mr. Chairman. I'm so pleased to have with us today Ethan Senack. Ethan is a native of Torrington, CT, and a graduate of the University of Connecticut, where he studied political science and sociology. He is currently an advocate for students as the Higher Education Associate for U.S. PIRG.

But when he was at the University of Connecticut, he was a true leader in bringing together student body presidents from across the State as well as students from all of our private and public universities to lobby at the State capitol on behalf of student aid issues and support for public universities. He was a real leader among students of all political persuasions in Connecticut's legislature and in our higher education system, and we are pleased to have him here this morning.

The CHAIRMAN. Thank you very much. I'll turn to Senator Alexander for purposes of an introduction.

Senator ALEXANDER. Thanks, Mr. Chairman. I'm pleased to introduce Derrica Donelson, a student at Lipscomb College in Nashville. She's 23. She was born in Nashville, raised by a single working mother, and attended Martin Luther King Magnet School. She is scheduled to graduate in August with both a bachelor's and a master's degree in accounting. She is active in her community.

We look forward to hearing from her about the informed choices that she made as she selected among colleges. She didn't go to the least expensive college she could have gone to. She made a decision about where she wanted to go, and she's been successful. I look forward to her testimony.

The CHAIRMAN. Thank you.

Senator Baldwin.

STATEMENT OF SENATOR BALDWIN

Senator BALDWIN. Thank you, Mr. Chairman. It's my honor to introduce Dr. Sara Goldrick-Rab, an Associate Professor of Educational Policy Studies and Sociology at the University of Wisconsin-Madison. Dr. Goldrick-Rab traveled to Washington, DC, today with her grandfather, Isaac Youcha. Mr. Youcha enlisted to serve his country in June 1949. When the war ended, Mr. Youcha attended New York University on the GI bill, graduating in 1950 as the first person in his family to earn a college degree.

As I think Dr. Goldrick-Rab will testify later this morning, her grandfather's pursuit of the American dream, access to a quality higher education, forever changed their entire family. I can only imagine how proud Mr. Youcha is today to be here and watch his granddaughter testify before our Senate committee, and with good reason. We're incredibly lucky to have her join us today.

Dr. Goldrick-Rab is an affiliate of the La Follette School of Public Affairs, the Center on Financial Security, the Institute for Research on Poverty, and she serves as a senior scholar at the Wisconsin Center for the Advancement of Post-Secondary Education. As a scholar, activist, and sociologist with a deep commitment to bringing research into policy and practice, Dr. Goldrick-Rab's research explores policy aimed at reducing socioeconomic and racial inequalities.

She currently holds the William T. Grant Faculty Scholar Award, a 5-year grant facilitating her work on a project titled "Rethinking College Choice in America," and is co-author of Putting Poor People to Work: How the Work First Idea Eroded College Access for the Poor, which was a finalist for the C. Wright Mills Award. Her research has been published in numerous journals and has received support from several foundations. Dr. Goldrick-Rab holds a Ph.D. in sociology from the University of Pennsylvania, and we are delighted to have her on our panel today.

The CHAIRMAN. Thank you very much, Senator Baldwin.

Senator Mikulski also chairs another committee, a very important committee on appropriations, which she has to attend to this morning. So in her place, I will introduce Vivica Brooks, a Washington, DC, native, a senior at Bowie State University in Maryland, majoring in business with a concentration in marketing. Ms. Brooks has been a recipient of the Federal Pell grant and loans as well as scholarships. She is a mother and an active commuter student and student athlete. She resides in Bowie, MD, with her mother and son.

Welcome, Ms. Brooks.

Your statements will all be made a part of the record in their entirety. I would ask if you could sum up your statements in 5 minutes or so, we would appreciate it. And we'll go from left to right, and then when we finish, we'll open for questions.

Mr. Senack, welcome and please proceed.

STATEMENT OF ETHAN SENACK, HIGHER EDUCATION ASSOCIATE, U.S. PUBLIC INTEREST RESEARCH GROUP, WASHINGTON, DC

Mr. SENACK. Thank you, Chairman Harkin, Ranking Member Alexander, and Senator Murphy for the introduction, as well as all the distinguished Senators here today. My name is Ethan Senack. I'm the Higher Education Associate for the U.S. Public Interest Research Group. U.S. PIRG is a federation of State-based consumer groups, including 75 campus chapters in 20 States across the country. On behalf of those students, our project works to promote affordable and accessible higher education.

Less than a year ago, I was a student at the University of Connecticut. I thought I was destined for Husky basketball, but I ended up working with the student PIRG chapter on higher education at UConn instead. Add in that I'm a recent graduate, and college affordability is a very important and relevant topic to me.

As Chairman Harkin said before, with two-thirds of my colleagues graduating with an average of \$26,000 in debt, there's no question that the cost of higher education is a major issue for my generation. On April 25th, we'll note the first anniversary of our Nation hitting over \$1 trillion in collective student loan debt. At the same time, States are spending an average of 28 percent less per student on higher education. While State investments have plunged, tuition has skyrocketed, causing students to rely more heavily on loans.

Congress has taken serious steps to improve college affordability, raising the maximum Pell grant, maintaining low interest rates on student loans, and instituting mandatory loan counseling. But there is more work we can do to improve the system.

Financial aid certainly played a major role in my decision to go to the University of Connecticut. Never having had debt, it was really hard to understand the repercussions of taking on \$28,000 or \$40,000 or \$60,000 in debt. And I'm not alone in that. Over 76 percent of students express a desire for better training in personal finance before college.

The financial aid shopping sheet, just one example of the Department of Education's efforts to improve financial literacy, is a great positive step forward. Right now, there is no standardized system for communicating financial aid offers, which can lead to issues for students. Some students feel they are led into higher levels of debt than necessary. Whether the package offers low costs but recommends large loans, or even just that loans are often listed under the award section, the fact remains that an already complicated process is made even more difficult.

Senator Franken introduced the bipartisan Understanding the True Cost of College Act last year, which required colleges to conform their award letters to a standardized system. Just as important was the consumer testing to improve the shopping sheet's ability to present and communicate this data clearly.

Once a student has signed the dotted line, it's critical to keep them aware of their options. Senator Harkin recently introduced the Smarter Borrowing Act to improve loan counseling requirements on Federal student loans, including annual notification of cumulative debt and remaining eligibility for loans and grants.

Steps like these help students make the right financial decisions. Once students are at college and getting their degree for the right price, the next concern is that their debt stays low and is affordable in repayment.

First and foremost, Pell grants are the cornerstone of the financial aid system, supporting over one-third of all college students across the country. Unfortunately, the program's impact is slowly eroding, covering the smallest portion of tuition costs in history, and cuts over the past few years have squeezed over 140,000 students out of the program.

Students need a strong investment in grant aid. It's far better than loans and better targeted to those who need it. For those who do need loans, low interest rates are key to affordability. With the support of many of you, Congress passed a 1-year extension of the low interest rate last year. But that runs out in a few months, raising costs by over \$1,000 for more than 7 million students across the country.

I recognize the need for long-term reform, but it's just as critical to make sure interest rates don't double on students this July. With only 2 months before the deadline, I urge Congress to extend the low rate and give us the time to work out a comprehensive student-friendly policy.

Income-based repayment could also use improvement. As a safety net to help struggling borrowers avoid default, far too few distressed borrowers are participating. There are only 1.1 million students enrolled in IBR, but there are 5.4 million students currently late on their payments. Congress should simplify the process and ease transition into IBR, as well as improving emphasis on such fall-back programs in loan counseling.

All of these changes will require strong political will. But I'm confident we can get there. I saw Congress and the President rise above political gridlock last year to keep student loan interest rates low. I'm seeing significant change on the college level. Over 600 colleges have voluntarily joined the movement to make their costs transparent. And students at colleges across the country are gearing up to make their voices heard on interest rates once more.

Thank you, all of you, for your time, and I look forward to your questions.

[The prepared statement of Mr. Senack follows:]

PREPARED STATEMENT OF ETHAN SENACK

SUMMARY

BACKGROUND

College costs are rising. The national recession has led to weak State economies, which in turn have squeezed college budgets. While State investments in higher education have plunged, tuition costs have skyrocketed. In line with that, student loan debt has grown enormously. On April 25th, we'll note the first anniversary of when the country's collective student loan debt hit \$1 trillion.

RECOMMENDATIONS

Improve Potential Students' Knowledge and Understanding: One of the most complicated decisions for students and families to make is where to go for college. Millions of Americans make the decision every year—and a large portion say that financial cost weighs most heavily on their choice.

- *Increase use of Financial Aid Shopping Sheet:* Many students and families have complained about the lack of transparency in college pricing and financial aid packages, which may lead them into higher debt levels than they anticipate. The shopping sheet is a standardized method of communicating award packages and allows comparing and contrasting of college financial aid offers.
- *Improve Loan Counseling:* Right now, loan counseling does not effectively communicate critical borrowing and repayment options. Efforts to increase the depth and comprehension of loan counseling can only help improve financial literacy among students.

Maintain Grant Aid: Pell grants are the cornerstone of the Federal financial aid program, supporting more the 9 million students pursuing their college degree. To meet workforce needs in years to come, we must maintain strong funding for the Pell grant program.

Keep Debt Low and Repayment Manageable: Student debt levels are at record highs, as is the default rate on student loans. High loan debt has serious economic impacts on a graduate's ability to move forward in life, whether purchasing a home, starting a family, or continuing their education.

- *Maintain Low Interest Rates on Student Loans:* Unless Congress and the President act decisively, the interest rate on new subsidized Stafford student loans will *double* from 3.4 percent to 6.8 percent on July 1, 2013. That will drive up loan costs by \$1,000 per student, per loan, for over 7 million students.
- *Strengthen Income-Based Repayment:* IBR is an important safety net for borrowers struggling to make their payments. Unfortunately, far too few distressed borrowers are participating. Right now, there are only approximately 1.1 million students enrolled in IBR, while 5.4 million borrowers are currently late on their payments.

Thank you Chairman Harkin, Ranking Member Alexander, and other distinguished Senators for giving me this opportunity to speak about the student perspective on college affordability. My name is Ethan Senack, I am the Higher Education associate with the U.S. Public Interest Research Group (U.S. PIRG). Thank you for inviting me to speak. U.S. PIRG is a federation of State-based consumer protection groups, which has 75 campus chapters in 20 States across the country. On behalf of those student chapters, our project works to promote affordable and manageable student loan policy, to increase grant aid, and to protect student consumers on campus.

Less than a year ago, I was a student at the University of Connecticut, so college affordability is a very important and relevant topic to me.

As a member of our student PIRG chapter at UConn, I was part of the successful effort to keep the interest rate low on the subsidized Stafford student loan program. Thanks to the President and to Congress, in particular the Senators sitting here now from both sides of the chamber, a bipartisan agreement was reached to temporarily extend the low rate. To help make the point, the student PIRGs hosted 27 student watch parties, garnered over 800 press hits across the country and gathered 600,000 petition signatures to Congress.

I care to organize around these issues because I just experienced and interacted with a number of the programs that fall under the topic of this hearing. I appreciate you giving me the opportunity to speak on behalf of students across the country and share my thoughts on keeping college within reach for all Americans.

BACKGROUND

College costs are rising. The national recession has led to weak State economies, which in turn have squeezed college budgets. As a student leader, I led other students to the capitol in Connecticut to ask lawmakers to reprioritize higher education. The issue wasn't just the amount of money going to higher education; it was that the proportion of the budget going to higher education had shrunk.

The same scenario is playing out across the country. States are spending 28 percent less per student on higher education; 11 States have cut funding by more than one-third per student, and two States have cut that spending per student in half.¹ While State investments in higher education have plunged, tuition costs have skyrocketed.

¹ Report, *Recent Deep State Higher Education Cuts May Harm Students and the Economy For Years To Come*, Center for Budget and Policy Priorities, March 19, 2013.

On top of that, student loan debt has grown enormously. On April 25, we'll note the first anniversary of when the country's collective student loan debt hit \$1 trillion dollars.²

Thankfully, I graduated with less debt than the national average but considering that 2/3 of my colleagues graduated with debt at an average \$26,600,³ that accomplishment seems hollow.

For the millions of students like me that graduate with debt, the burden limits opportunity. Whether it's holding graduates back from building a family, buying a home, starting a business, or even continuing their education, high loan debt has serious impacts.

Beyond its impact on the individual, student loan debt is bad for the country as a whole, contributing to the persistent economic stagnation we currently face. The Federal Reserve Bank of New York recently identified high student loan debt as a risk to economic growth.⁴

RECENT STEPS FORWARD

To make college affordable, we need strong investment in higher education. At the Federal level, we have seen real progress. Specifically, the Pell grant program is the Nation's cornerstone student aid program, providing need-based, scholarship aid to nearly 10 million students this year. In the big picture, the Pell grant program should ensure that all students who are qualified to attend college can do so without financial barriers. The Pell Grant supports nearly a third of all students attending college each year.

It is absolutely critical that the Pell grant remain strong and fully funded—the more students can rely on higher amounts of grant aid to pay for college, the less they rely on student loans. In 2008, Federal lawmakers invested more than \$40 billion in Pell grants, and put the maximum award on track to hit \$5,975.⁵ The legislation also stabilized the program, which faced a severe budget shortfall due to the larger number of students and workers qualifying for the award. In 2011, the program was exempted from the automatic cuts that are being imposed as of March of this year,⁶ enabling students to rely on their grant for college during this time of economic uncertainty. I'm sure the 3,500 students at UConn that rely on Pell grants appreciate your efforts, as well as millions of students across the country.

And of course, last year's extension of the low rate on subsidized Stafford loan demonstrated a real commitment from Congress and the President to help students manage their high cost loans.

But even with all of these improvements, we still have a major affordability problem. I will walk through a variety of suggestions on both the front end, when students and families are shopping around for a college and signing on the dotted line, and on the back end, when student borrowers enter into repayment.

IMPROVING POTENTIAL STUDENTS' KNOWLEDGE AND UNDERSTANDING

One of the most complicated decisions for students and families to make is where to go for college. Millions of Americans make the decision every year—and a large portion say that financial cost weighs most heavily on their decision.⁷

Financial aid certainly played a major role in my decision to attend the University of Connecticut. Never having had debt or initiated a major financial decision, I found it hard to entirely understand the magnitude of choosing to attend a school with tuition in the range of \$40,000 or \$50,000.

The unfortunate reality is that, like me, most students feel unprepared to interpret the financial decisions they must make. Over 76 percent of students expressed desire for increased training in personal finance before going to college.⁸ Because of this, we must continue to improve access and ease of understanding of financial

²News story, *Student Loan Debt Exceeds One Trillion Dollars*, National Public Radio, April 24, 2012.

³Report, *Student Loan Debt Climbs to \$26,600 For Class of 2011*, Then Institute For College Access and Success, October 18, 2012.

⁴Minutes, *Minutes of the Federal Open Market Committee*, The Federal Reserve, March 19–20, 2013.

⁵Issue brief, *The Health Care and Reconciliation Act*, The White House, 2009.

⁶News story, *Sequestration Presents Uncertain Outlook for Students, Researchers, Job-Seekers*, The Chronicle of Higher Education, March 1, 2013.

⁷Survey, *The American Freshman: National Norms Fall 2010*, Higher Education Research Institute, January 2011.

⁸Survey, *New Survey by The Hartford Reveals Financial Education Gap*, The Hartford Financial Services Group, Inc., February 2007.

information. Fortunately for students and families, there are some notable efforts underway already.

Financial Aid Shopping Sheet

Many students and families have complained about the lack of transparency in college pricing and financial aid packages, which may lead them into higher debt levels than they anticipate.

When I received my financial aid package, I was faced with the choice between a private school offering enough financial aid to cover the full cost of attendance—over \$20,000 in grants and an additional \$20,000 in loans—and a public school offering enough grant aid and subsidized loans to cover the majority of costs but leaving a small amount unfilled. The private school letter showed a “net cost” of \$0, and while the public school letter showed a “net cost” of a few thousand dollars. That alone is misleading, because the private school would have left me with \$80,000 in debt, while I ended up graduating from the public school owing only \$14,000.

Even more confusing is that schools calculate costs differently. Some include tuition plus room and board. Other schools incorporate the cost of textbooks. Beyond that, there are manifold costs that may or may not be accounted for in the school’s assessment: transportation or parking, school supplies, etc. Without a detailed breakdown or explanation, potential students and families may be slammed with higher costs than expected down the road.

The U.S. Department of Education has developed and promoted a financial aid shopping sheet. The Department campaign is a voluntary effort through which colleges present their financing information in consistent and easy to understand format.⁹ Over 600 institutions have agreed to use the Department of Education’s template in their letters this year¹⁰—creating a standardized way for students and families to compare and contrast different schools and aid awards. Last year, Senator Franken introduced a bipartisan bill, the *Understanding the True Cost of College Act*, which required all universities to conform their financial-aid award letters to a standard shopping sheet format. The bill also includes valuable consumer testing to improve the shopping sheet’s ability to present and communicate the data clearly and effectively.¹¹

Fortunately, I ended up making the right choice, but we need to make sure there are strong systems in place to give guidance to all students and families.

Improving Loan Counseling

Senator Harkin recently introduced the *Smarter Borrowing Act* to improve student loan counseling.¹² This is another positive step in building financial literacy among students. The legislation strengthens and reforms the current mandatory entrance and exit loan counseling requirements for Federal student loans and notifies students annually of their cumulative debt, including their remaining eligibility for loans and grants. Efforts like this can only help students make the right education finance decisions as they complete their education.

MAINTAINING GRANT AID

An enormous factor in deciding to attend college and where to go is how much scholarship aid a student receives. For as much progress that we’ve made recently to keep the Pell grant effective, the program’s impact is eroding slowly, which is bad for college access. In 2011, as part of the Budget Control Act, Congress reached a bipartisan commitment to maintain a maximum Pell grant of \$5,550 for low-income students and provided \$17 billion in additional funding over 2 years for Pell grants.¹³ To maintain that maximum, Congress eliminated Pell grants for summer learning, limited the length of time a student can receive a Pell grant, made it more difficult for low-income students to automatically qualify for the maximum Pell award and eliminated Pell eligibility for students without a high school degree who demonstrate the “ability to benefit” from post-secondary education.¹⁴ Over 140,000 students were squeezed out of the Pell grant program due to these cuts.¹⁵

⁹ Issue Brief, *Financial Aid Shopping Sheet*, The U.S. Department of Education, 2012.

¹⁰ Ibid.

¹¹ Press Release, *Senator Franken Introduces Bipartisan Bill To Help Families and Students Understand the True Cost of College*, Senator Al Franken, May 24, 2012.

¹² Mikulski, *Harkin Introduce Bill to Improve Loan Counseling*.

¹³ Blog, *Understand Why Federal Budgets Matter to Students*, US News and World Report, 1/18/12; brief, *Debt Ceiling Law Provides \$17 Billion for Pell*, National Association of Student Financial Aid Administrators, 8/3/11

¹⁴ Issue Brief, *Don’t Double Our Rates*, U.S. Public Interest Research Group, April 9, 2013.

¹⁵ Release, *143,000 Students Lose Their Pell Grant Next Year*, U.S. Public Interest Research Group, December 19, 2011.

KEEPING DEBT LOW AND REPAYMENT MANAGEABLE

Once students are at the right college for the right price, the next concern is that their student loans stay manageable and affordable in repayment. Two thirds of college students graduate with debt.¹⁶

Maintain Low Interest Rates on Student Loans

Unless Congress and the President act decisively, the interest rate on new subsidized Stafford student loans will *double* from 3.4 percent to 6.8 percent on July 1, 2013.¹⁷ That will drive up loan costs by \$1,000 per student, per loan, for over 7 million students.

I worked with students in Connecticut and all over America who couldn't afford to add to their debt burden. Students who stood up at press events, students who visited their legislators—and we heard stories from all of them about the crushing student debt our generation faces. The wave of outcry from students and the general public that built around the July 1st deadline shows that there is real consensus about investment in higher education. In the end, Congress echoed that call and passed a temporary extension of the 3.4 percent interest rate.

I recognize that we need comprehensive student loan reform, but students and borrowers in repayment need more time to bring their case to Members of Congress. Forums like this help us shed light on the problems and concerns from our perspective—and allow us to work together with lawmakers to develop good long-term policy. I hope you will continue your efforts to reach out to students and young people on comprehensive reform as we move toward reauthorization of the Higher Education Act.

That said, it is just as critical to prevent the subsidized Stafford interest rate from doubling on students this July. If we are unable to develop a long-term solution that benefits all student borrowers now, before July 1, then I urge Congress to extend the low-interest rate for a short time, to give us the breathing room we need to work out a student-friendly and comprehensive policy.

Strengthen Income-Based Repayment

Beyond interest rates, there are other methods of increasing affordability on the back end.

Income Based Repayment (IBR) is another tool that could use improvement. IBR is designed as a safety net to help borrowers in financial distress avoid the dangers of student loan default. The program driving down their payments to a small percentage of what they earn.

The problem with IBR is that far too few distressed borrowers are participating. Right now, there are only approximately 1.1 million students enrolled in IBR, while 5.4 million borrowers are currently late on their payments.¹⁸ Several of my former classmates and peers have expressed their frustration with the enrollment process, citing a complex process and lack of knowledge about the program details. Congress should act to simplify the process and increase ease of transition into IBR, as well as increasing the emphasis of such fallback programs during loan counseling.

IN CONCLUSION

All of these improvements will require a strong political will. But I'm confident we can get there. I saw Congress and the President rise above political gridlock last year to keep student loan rates affordable. And I'm seeing significant change at the college level. Six hundred colleges have joined the movement to make costs and aid transparent. At colleges across the country, students are gearing up to make their voices heard once more as July 1 approaches.

I am excited to work with all of you as we undertake the daunting but achievable goal of keeping college within reach for millions of American students and families.

The CHAIRMAN. Thank you very much, Mr. Senack.

Now we'll move to Ms. Donelson.

Please proceed.

¹⁶ Issue Brief, *Don't Double Our Rates*, U.S. Public Interest Research Group, April 9, 2013.

¹⁷ *Ibid.*

¹⁸ News story, *Despite Student Debt Concern, Income-based Repayment Lags*, Inside Higher Ed, October 23, 2012.

**STATEMENT OF DERRICA DONELSON, STUDENT, LIPSCOMB
UNIVERSITY, NASHVILLE, TN**

Ms. DONELSON. First, allow me to express my deepest appreciation to Chairman and Hon. Senator Tom Harkin and the Honorable Senator Lamar Alexander from the great State of Tennessee for inviting me to testify in this meeting. There are few events in life that are as important and as life-shaping as graduating from college. Thank you for the Federal financial aid that has been made available to me and for the opportunity to achieve my dreams in life. While the path to graduation has not been simple or easy, it has been worth all the efforts.

Like you said, my name is Derrica Donelson and I am 23 years old. I will graduate in August 2013 with a Bachelor of Business Administration degree in accounting and a Master's degree in accounting from Lipscomb University. I graduated from Martin Luther King, Jr., Academic Magnet High School, and I am the first of the past two generations to graduate with a master's degree.

Upon graduating high school, I had numerous conversations with my guidance counselor regarding future plans for college. She advised me to complete applications as early as possible. I submitted my application for Tennessee State University, Middle Tennessee State University, Austin Peay State University, and Trevecca Nazarene University. It was at a college fair held at my high school where I first learned of Lipscomb University. After talking with Lipscomb's representatives, I made the decision to submit my application.

At that time, I had no knowledge of what it would cost to attend, but I knew that Lipscomb University was high on my list. Before graduating high school, I had an idea of what I wanted my major to be. It was my exposure to the accounting profession at the Tennessee Society of Certified Public Accountants' Accounting Academy that I learned of my real interest in accounting. Due to that interest, I researched the colleges where I submitted my application and narrowed my choices down to Middle Tennessee State University and Lipscomb University.

When it came to making a decision on which school to attend, I had to consider many factors. One factor I considered was the tuition to attend each school. Lipscomb is a private school, and it was significantly more expensive to attend. But I did not want cost to be my deciding factor on which school to choose. It was extremely important to me to consider things such as my culture, and it was important to me to feel as if I belonged there.

I visited both schools, and both schools had great accounting programs. However, Lipscomb had a joint BBA and MAcc program that allowed me to obtain my Master's degree in 5 years. It was also closer to home. Lipscomb became my first choice, but finances could have created a problem.

The summer prior to attending Lipscomb, I filled out many applications for scholarships and grants. I did not know how I was going to pay for school. During my first week at Lipscomb, one of the first faculty and staff members that I met was Tiffany Summers. She is the director of financial aid. It was that day when the concept of paying for college finally hit me. Instantly, I broke out crying.

My mother was a single parent, working two jobs to support our family.

After my break down, Tiffany was kind enough to sit down with me and my mother to help us determine how I was going to pay for college. She helped me understand how loans worked and the benefits of scholarships. I have received such aid as the Tennessee State grant, the Federal Pell grant, Federal Stafford subsidized loans, and Federal Stafford unsubsidized loans. I also qualified for parent PLUS loans.

I would like to thank Senator Alexander for his support of education in the State of Tennessee. State grants from Tennessee have provided me more funding than the Federal grants. After my freshman year, I kept a part-time job throughout college, I was an officer of a student organization for 3 years, and I managed to maintain a grade point average above 3.0.

I do realize that I am going to have some debt after obtaining my degree. However, I plan to use my education to excel in a career of accounting. Although Lipscomb's tuition was expensive, it was still obtainable. When negotiating my salary for a job offer, I was sure to include at least \$300 a month for my loan payments. I feel as if my education would not have been possible without the financial aid that I received.

Looking back, I would not have changed my decision to attend Lipscomb University, even with the debt I obtained. I would recommend to future college students to do their research on what resources are available to them and make an informed decision. Once that research is done, begin to utilize those resources. It is also important that the student talks to the financial aid office, file the FAFSA early, have a good ACT score, and maintain a good grade point average.

The help is out there. It just depends on how determined the student is about receiving an education. In order for the committee to improve college access and success for all students, I would suggest starting at the high school level. Keeping the guidance counselors informed on the resources that are out there will give the guidance counselors the opportunity to pass that information on to the students. An increase in the Pell grants would also help make college more affordable for more students. Giving more opportunities to students for loan forgiveness could help ease the burden of debt.

I would like to thank the committee for dedicating this time to do their research and for including the student's perspective in their work.

[The prepared statement of Ms. Donelson follows:]

PREPARED STATEMENT OF DERRICA DONELSON

SUMMARY

My testimony will start off by first thanking the Senators for allowing me the opportunity to take part in this hearing.

I am going to give a brief overview about who I am and about my education. In my senior year of high school, I filled out many applications to schools such as Tennessee State University and Middle Tennessee State University. I also filled out an application to Lipscomb University after attending a college fair. I had the idea that I was going to major in accounting, but it wasn't until after I attended the Tennessee Society of Certified Public Accountants' Accounting Academy when I became absolutely sure that I wanted to major in accounting. After doing my research, Lipscomb University became my first choice for college.

Funding my college education was a problem for me, but I did not let that stop me from attending the school of my choice. My mother and I went to the financial aid's office to see what could be done. My mother was always very supportive and very active in the process of finding the funds to pay for college. The Director of Financial Aid at Lipscomb University was very helpful in the whole process. She was very informative and knowledgeable about what was available to the students. She gave us information on State grants, Federal grants, Federal loans, and parent plus loans.

I plan to make monthly payments to repay my loans. I have calculated an amount in my budget to allocate to loans each month. I would suggest that students do the research and talk to the Financial Aid office of their desired school to see what is available to them.

First, allow me to express my deepest appreciation to Chairman and Honorable Senator Tom Harkin and the Honorable Senator Lamar Alexander from the great State of Tennessee for inviting me to testify in this meeting. There are few events in life that are as important and as life shaping as graduating from college. Thank you for the Federal financial aid that has been made available to me and for the opportunity to achieve my dreams in life. While the path to graduation has not been simple or easy, it has been worth all the efforts.

My name is Derrica Donelson. I am 23 years old. I was born and raised in Nashville, TN. I will graduate in August 2013 from Lipscomb University with a Bachelor of Business Administration degree in Accounting and a Master's degree in Accounting. I was raised in a single parent home. I am the oldest of four children. I graduated from Martin Luther King, Jr. Academic Magnet High School. I am the first of the past two generations to graduate with a master's degree.

Upon graduating from high school, I had numerous conversations with my guidance counselor regarding future plans for college. She advised me to complete applications as early as possible. I submitted my application to Tennessee State University, Middle Tennessee State University, Austin Peay State University, and Trevecca Nazarene University. It was at a college fair at my high school, when I first learned of Lipscomb University. After talking with Lipscomb's representatives, I made the decision to submit my application. At that time, I had no knowledge of what it would cost to attend, but I knew that Lipscomb University was high on my list.

Before graduating high school, I had an idea of what I wanted my major to be. It was my exposure to the accounting profession at the Tennessee Society of Certified Public Accountants' Accounting Academy that I learned of my real interest in accounting. Due to that interest, I researched the colleges where I submitted an application, and narrowed my choices to Middle Tennessee State University and Lipscomb University.

When it came to making a decision on which school to attend, I had to consider many factors. One factor I considered was the tuition to attend each school. Lipscomb is a private school, and it was significantly more expensive to attend. I did not want cost to be the deciding factor of choosing one school over the other; there were other factors that were extremely important to me, such as the overall culture of the campus. It was important for me to feel as if I belonged there. I visited both schools, and both schools had great accounting programs. However, Lipscomb had a joint BBA/MAcc program that allowed me to obtain a Master's degree in 5 years. It was also closer to home. Lipscomb became my first choice, but finances could create a problem. The summer prior to attending Lipscomb, I filled out many applications for scholarships and grants.

I did not know how I was going to pay for school. During my first week at Lipscomb, one of the first faculty and staff members that I met was Tiffany Summers. She is the director of financial aid at Lipscomb University. It was that day when the concept of paying for college finally hit me. Instantly, I started crying. My mother was a single parent, working two jobs to support our family. After my break down, Tiffany was kind enough to sit down with me and my mother to help us determine how I was going to pay for college. She helped me understand how loans worked and the benefits of scholarships. I have received aid such as the Tennessee State grant, the Federal Pell grant, Federal Stafford subsidized loans, and Federal Stafford unsubsidized loans. I also received parent-plus loans in order to fund my college education. I would like to thank Senator Alexander for his support of education in the State of Tennessee. State grants from Tennessee have provided me more funding than the Federal grants.

After my freshman year, I kept a part-time job throughout college. I was an officer of a student organization for 3 years. I managed to maintain a grade point average

above 3.0. As a graduate student, I have been interning at Regional Care Hospital Partners. That position has allowed me to work full-time. Lipscomb's MAcc program gives me the opportunity to work a full-time job and attend class at night.

I do realize that I am going to have some debt after obtaining my degree. However, I plan to use the education that I have earned from Lipscomb to excel in a career of accounting. Although Lipscomb's tuition was expensive, it was still obtainable. I plan to make monthly payments to pay off my loans. When negotiating my salary for a job offer, I was sure to include at least \$300 a month for loan payments. I feel as if my Lipscomb education would not have been possible without the financial aid that I received.

Looking back, I would not have changed my decision to attend Lipscomb University even with the debt I obtained. I would recommend to future college students to do their research on what resources are available to them and make an informed decision. Once that research is done, begin to utilize those resources. It is also important that the student talks to the financial aid office. It doesn't hurt to ask them questions. I would also suggest filing the FAFSA early. It was possible for me to receive Federal and State grants, because I filed my FAFSA early. Having a good ACT score and maintaining a good grade point average also helps. The help is out there, it just depends on how serious the student is about receiving an education.

In order for the committee to improve college access and success for all students, I would suggest starting at the high school level. Keeping the guidance counselors well-informed on the resources that are out there, will give the guidance counselors the opportunity to pass that information on to the students. An increase in the Pell grants would help make college more affordable for more students. Also, giving more opportunities to students for loan forgiveness could help ease the burden of debt. I would like to thank the committee for dedicating this time to do their research and for including the student's perspective in their work.

The CHAIRMAN. Thank you very much, Ms. Donelson. Congratulations on your success.

Dr. Goldrick-Rab. Welcome.

STATEMENT OF SARA GOLDRICK-RAB, Ph.D., ASSOCIATE PROFESSOR OF EDUCATIONAL POLICY STUDIES AND SOCIOLOGY, UNIVERSITY OF WISCONSIN-MADISON, MADISON, WI

Ms. GOLDRICK-RAB. Good morning, Chairman Harkin, Senator Alexander, and members of the committee. Thank you all for this opportunity.

There's never been a more important time to address the issue of college affordability. College is now the main road to a stable, secure life. And in this age of global knowledge markets, it is college-educated workers who will be the main driver of the U.S. prosperity. But the research evidence is clear. Most families and students find the high cost of college attendance unbearable, and it is affecting their choices about whether to attend college, where to attend, and even whether or not to finish the degrees and certificates they have started.

As access to college becomes more difficult, public frustration is emerging and is spilling over toward other societal institutions and, indeed, into the streets. Today's Americans are experiencing annual declines in family income, yet the net price of attending public colleges and universities continues to rise by almost \$500 per year. That's after taking aid into account.

In the early 1970s, the maximum Pell grant covered almost 80 percent of the cost of attending a public 4-year institution. Today, it covers barely 30 percent. With so little help, even low-income families are left with a bill of about \$12,000 a year. For many, that is the equivalent of up to 70 percent of their annual income. And so it is not surprising that only about one in 10 find their way to a college degree.

It has not always been this way. The idea that students should bear most of the cost of college comes from a time when college cost much less, and powerful people thought markets were saviors. Students today are just as responsible as ever and just as willing to work for their education, but the task is plainly impossible. Covering \$12,000 in unmet need requires a student to work at least 35 hours a week 52 weeks a year at Federal minimum wage. The arrangement is untenable and compromises their chances of actually completing their degrees.

Congress got it right in 1972 when it affirmed the societal goal of universal access to postsecondary education as a citizen's right. Understanding that low tuition supplemented by the Pell grant was the most effective means of supporting access, it invested heavily in that key program. But within a decade, before the start of the 1980s, the needs of students and families fell by the wayside, and our financial aid system has never recovered.

Acting on the theory that higher education would become more equitable and efficient by operating on free market principles, policymakers began to reduce the availability of grant aid, increase the availability of loans, in *de facto*, encouraging rising costs of attendance we see today. This was a mistake. The decision to move away from a low tuition approach to higher education, coupled with a refusal to regulate how institutions set prices, has forced millions of students into debt.

Loans are the new normal because of political choices, not because there are no alternatives. College today is what high school was a century ago, and yet students are being required to both work and borrow for it. The consequences are evident. I've spent the last 5 years with a team of researchers on the ground in Wisconsin documenting the results.

I'd like to tell you about Chloe, who I met when she first enrolled in a Wisconsin 2-year technical college after finishing high school in a small rural Wisconsin town of just 1,800 people. She wanted to become a vet technician. Since she was the first person in her family to even attempt college, they had no savings. So she got the Pell, and she figured she was set. Not quite.

As a last ditch effort to ensure that she had enough resources for her books, she sold her family's horse, which she had raised on the farm as a teenager. It broke her heart. She did not know what else to do. But the horse was a short-term fix. A month later, she was short of gas money, so she took a job at a fast food restaurant. They couldn't offer her enough hours, so she took a second job. She went from one job to another, attending classes in between, getting home at midnight, and getting up at 6 a.m.

Working left her too little time for studying, but she was afraid of loans because she had seen credit card debt nearly destroy her mother's finances. She was exhausted, she was hungry, and she was stressed. Six months later, I went back to check in on Chloe, and college was done. She had dropped out. The two jobs plus school routine had left her falling asleep in her classes, and she earned a 1.9 GPA, ending up on academic probation and kicked out of her program.

She was furious, she was confused, she was unsure whom to talk to, and she failed. Several weeks later, a bank began calling. The

student loan she had accepted during finals week when she was trying to find another way to finish was now coming due. Unemployed, in debt, and disillusioned, Chloe was dodging their calls.

Making it this hard to pursue a college degree is weakening our country. We have to return to a demonstrably effective approach to putting college within reach of all Americans by providing a meaningful Pell grant targeted to the neediest families, distributed early enough so that they know about it to get ready for college, and stripped of all unnecessary requirements. It should be matched by a very difficult but very necessary effort to drive down college cost by ending the ineffective tax credits flowing to wealthy families, stemming the tide of indebtedness by capping the interest rate on student loans, and using incentives to push States and institutions to return to a focus on providing high quality postsecondary education, not glorified summer camps, that are accessible to all Americans.

My written testimony contains recommendations aimed at accomplishing these goals.

My grandfather is here today with me because he is a great example of what happens when Congress acts on behalf of all students. The GI bill made it possible for him to graduate from NYU in 1950, the first person in his family to earn a college degree. He went on to graduate and postgraduate education and is still practicing as a psychoanalyst doing the work he loves, alongside my grandmother, a writer. He is, for me, a constant reminder of the wonderful lives that Congress has helped the hardworking people of this Nation lead by supporting their educational dreams.

I know we can do better right now for students like Chloe and the millions like her. Help us find a way back to the original goals and intentions of financial aid, and we will all benefit.

Thank you.

[The prepared statement of Ms. Goldrick-Rab follows:]

PREPARED STATEMENT OF SARA GOLDRICK-RAB, PH.D.

SUMMARY

Federal financial aid aims to help Americans achieve their fullest potential not only by opening the doors to college, but also by providing them with the financial support necessary to complete their studies. But students and families are resoundingly clear—as a nation we are not meeting this goal.

Research indicates that a lack of affordability frequently affects educational choices, and discourages the most talented students from low-income families from even applying to great colleges and universities that match their abilities. Much of Federal financial aid, including the Pell grant and tax credits, arrives too late, comes with requirements that reduce its effectiveness, and makes a commitment to students that is too small and insufficiently matched by efforts from States and higher education institutions. Just as troubling, consumer confidence in the financial aid system is low. It is difficult to count on these resources when they are constantly threatened and ever changing; they give the appearance of a Congress unsure of what it is trying to accomplish. Most disturbing, student debt has become the new normal, and threatens to reshape our national future the way several world wars changed the lives of prior generations.

The most effective public policies are sensible and dependable workhorses aimed at doing one job and doing it well. Congress can turn the Pell grant into that program by restoring its purchasing power and focusing it on the most needy students. An early commitment to the Pell grant, provided to the Nation's poorest eighth graders, could jump start their academic and financial planning and produce significant gains. Taking steps to ensure that States and institutions do their part to match the Federal commitment to affordability will bring additional resources to the

table for the students who most need them. Eliminating several unnecessary complexities in the eligibility and awarding process will help students retain their aid, increasing their chances of finishing what they start.

It is equally important that the student loan program not be used as a piggy bank to finance other aid. We all reap the benefits of a democratic nation full of talented, college-educated neighbors and friends; we must all therefore bear the collective responsibility of properly funding it. Congress and the States need to reverse the unconscionable trend of pushing people to take on levels of debt they are uncomfortable with, simply because they wish to become better educated. Income-based repayment is a safety net. It should not be used as an excuse for bigger, more expensive student loans.

Students are already doing all they can. The evidence is clear: Americans are not afraid to work for what they need, and undergraduates are no exception. But ensuring that financial aid succeeds in promoting educational success means that Congress has to act to get low- and middle-income students the grant aid they deserve, providing them with a fair shot at reaching the college finish line.

Chairman Harkin, Senator Alexander, members of the committee, I am honored to testify before you.

SUMMARY

The goal of Federal financial aid is to help Americans achieve their fullest potential not only by opening the doors to college, but also by providing them with the financial support necessary to complete their studies. Students and families are resoundingly clear—as a nation we are not meeting this goal. Research indicates that a lack of college affordability is frequently affecting educational decisions, and discouraging the most talented students from low-income families from even applying to great colleges and universities that match their abilities. Much of Federal financial aid, including the Pell grant and tax credits, arrives too late, comes with requirements that reduce its effectiveness, and makes a commitment to students that is too small and insufficiently matched by efforts from States and higher education institutions. Just as troubling, consumer confidence in the financial aid system is low. It is difficult to count on these resources when they are constantly threatened and ever changing; they give the appearance of a Congress unsure of what it is trying to accomplish. Your leadership is required to marshal and triage all available resources, direct them to where they can be most effective, and build a financial aid system that is worthy of our great Nation.

STUDENTS AND FAMILIES AGREE: COLLEGE IS UNAFFORDABLE

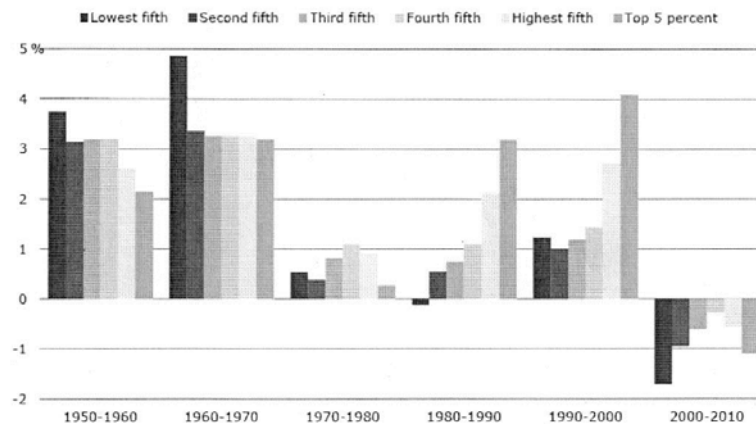
Many higher education analysts put the concept of affordability in quotation marks. While they note that while the official definition is the costs paid today relative to the lifetime benefits, and on average benefits continue to outweigh the costs, perceptions of affordability vary widely.¹ Despite decades of investment in financial aid and numerous efforts to provide tools such as net price calculators, all indications are that now more than ever, families feel college is essential and at the same time unaffordable. Their feelings are understandable, given that nearly all Americans are experiencing annual declines in family income (see Figure 1), while the net price of attending public colleges and universities continues to rise by almost \$500 per year.²

¹Baum, Sandy and Saul Schwartz, 2012. “Is College Affordable? In Search of a Meaningful Definition.” Washington, DC: Institute for Higher Education Policy.

²Net price is the difference between the institutional cost of attendance (the sticker prices) and all grant aid awarded; it is the amount of money the student will actual pay to attend school. Author’s calculations based on The College Board, *Trends in College Pricing: 2012* report. According to Table 7, annual growth in the net tuition, fees, room and board at public 4-year institutions between 2009–10 and 2012–13 was \$493.

Figure 1.

**Average Annual Change in Mean Family Income, 1950-2010,
by Quintile and for the Top 5 Percent**



Source: U.S. Census Bureau, Historical Income Tables, Table F-3 for 1966 to 2010, and derived from Tables F-2 and F-7 for 1950 to 1965. Downloaded from <http://www.census.gov/hhes/www/income/data/historical/families/> on July 11, 2012

PEW RESEARCH CENTER

Pew Research Center, 2012, "Fewer, Poorer, Gloomier: The Lost Decade of the Middle Class."

www.pewresearch.org

The Power of the Pell Grant is Diminishing

In theory, our system of financial aid is supposed to ensure that students whose decisions are most affected by tight family finances receive the most aid. In the past several decades, we have moved further and further away from this approach. The leading need-based aid program, the Pell grant, has failed to withstand the tests of time and changing demographics. In the early 1970s, the maximum Pell grant covered almost 80 percent of the costs of attending a public 4-year institution, and today that has eroded to barely 30 percent. The result is that even after taking all grant aid and tax credits into account, families have to find some way to pay more than \$12,000 a year.³ For a family in the bottom quintile of the income distribution, that amounts to more than 70 percent of their annual income.⁴

One reason we are in this situation is that when faced with some hard choices, most States quietly opted to shift the costs of funding their public colleges and universities onto the backs of students and families. In doing so, they contributed to the erosion of the Pell by withdrawing their efforts to keep costs down.⁵ Rather than openly debating the tradeoffs between investing in colleges or prisons or healthcare, legislators simply cut appropriations and then attacked higher education institutions for responding with easily anticipated tuition hikes. In many States, the constituency of college graduates remains relatively small, and those most affected—children with great ambitions and displaced workers returning to get the training they need for economic stability—voice little resistance as the buck is passed to them. It is Congress that must act on their behalf, bringing States back to the table and ensuring that they do their part.

Students are already doing all they can. Americans are not afraid to work for what they need, and undergraduates are no exception. The problem is that today, it is no longer possible to cover all of the costs of college while working part-time. Covering those remaining costs at a public university would require a student to work at least 35 hours a week, 52 weeks a year at the Federal minimum wage. The work penalty contained in the Federal needs analysis means that those earnings would quickly diminish her access to aid, causing her to work even more. Such ex-

³Ibid.

⁴The median income in the bottom 20 percent is around \$17,000.

⁵Weerts, D., Sanford, T., Reinert, L. 2012. *College Funding in Context: Understanding the Difference in Higher Education Appropriations Across the States*. Demos.

tensive work hours would almost certainly compromise her chances of completing college, particularly in a timely fashion, rendering all of that effort far less meaningful.⁶ This makes the relative size of grants like the Pell more important than ever. But unfortunately, the trend has been away from grants and toward loans, a subtle move that has shifted societal responsibilities onto the backs of individuals.

Student Loans Are Too Often Required, Not Optional

When originally conceived, student loans were intended to facilitate choices. That is no longer the case—most students are left with no viable way to afford college without taking on debt. The result is a forced choice that pits students against their schools, with educators arguing that “debt is good” while students wish to at least have a genuine choice in the matter. Now that unmet need at public universities has reached \$12,000 a year, current students are now faced with prospective debt of upwards of \$48,000, and that is if they finish in 4 years. Or, they could both work and borrow, a scenario that was quite uncommon when their parents went to college, but now seems inevitable. Again, if they have to work too much, they are much less likely to complete and in turn are left with substantial debt and no degree.⁷

Under these constraints, the Pell grant has become a gateway to student loans. Student debt is the new normal, and threatens to reshape our national future the way several world wars changed the lives of prior generations. Today, 40 percent of households headed by an adult under the age of 35 hold educational debt.⁸ When considering whether that is acceptable, it is important to note that it is far from the “manageable” rate of 8 percent of income—students with degrees owe as much as 24 percent of their take-home pay to the Federal Government. Many former students who left unable to complete their degrees owe even more.⁹ Over the long haul, this points to a serious need to plan for a new era in which debt is done away with, and we should take initial steps to begin now.¹⁰

AFFORDABILITY AFFECTS EDUCATIONAL DECISIONS

Both common sense and research evidence tell us that when students feel that college is unaffordable it has real consequences for their educational decisions.¹¹ The students for whom the current financing system is working—those at the top of the income distribution—have increased their rates of bachelor’s degree completion by 50 percent over the last 40 years. That is the only group of students with a greater than 1 in 2 chance of completing a bachelor’s degree. The odds range from 9 to 30 percent for everyone else.¹² While this is partly because of the tight relationship between family income and academic preparation, the k–12 experience alone does not explain why origins determine destinations so clearly. Recent randomized experiments indicate that the current system needlessly leaves even the most talented poor kids far, far behind in a multitude of ways. In addition to failing to meet their need with aid and pushing them into debt, government and educational insti-

⁶Perna, L.W.: *Understanding the working college student: New research and its implications for policy and practice*. Stylus Publishing, LLC. 2010.

⁷Fry, Richard. 2012. “A Record One-in-Five Households Now Owe Student Loan Debt.” Washington, DC: Pew Social & Demographic Trends; Goldrick-Rab, Sara, Douglas N. Harris, and Philip A. Trostel. 2009. “How and Why Financial Aid Does (or Doesn’t) Matter for College Success.” In *Higher Education: Handbook of Theory and Research* (Vol. 24), ed. John C. Smart, 1–45.

⁸Fry, Richard. 2012. “A Record One-in-Five Households Now Owe Student Loan Debt.” Washington, DC: Pew Social & Demographic Trends.

⁹Wei, Christina Chang and Laura Horn. 2013. “Federal Student Loan Debt Burden of Noncompleters.” NCES Report 2013–155.

¹⁰For one smart approach, see Dannenberg, Michael and Mamie Voight. 2013. “Doing Away with Debt: Using Existing Resources to Ensure College Affordability for Low and Middle-Income Families.” *Education Trust*, Washington, DC.

¹¹Detailed reviews of the research on the effectiveness of different types of financial aid include: Bettinger, Eric. 2012. “Financial Aid: A Blunt Instrument for Increasing Degree Attainment” in Andrew Kelly & Mark Schneider (Eds), *Getting to Graduation: The Completion Agenda in Higher Education*, John Hopkins Press; Castleman, Benjamin and Bridget Terry Long. 2012. “Looking Beyond Enrollment: The Causal Effect of Need-Based Grants on College Access, Persistence, and Graduation.”; Scott-Clayton, Judith. 2012. “Information Constraints and Financial Aid Policy.” National Bureau of Economic Research. Working Paper 17811. Deming, David and Susan Dynarski. 2009. “Into College, Out of Poverty? Policies to Increase the Post-Secondary Attainment of the Poor.” National Bureau of Economic Research. Working Paper 15387; Goldrick-Rab, Sara, Douglas N. Harris, and Philip A. Trostel. 2009. “How and Why Financial Aid Does (or Doesn’t) Matter for College Success.” In *Higher Education: Handbook of Theory and Research* (Vol. 24), ed. John C. Smart, 1–45;

¹²Bailey, Martha J. and Susan Dynarski. 2011. “Inequality in Post-Secondary Education.” In *Whither Opportunity?*, ed. Greg Duncan and Richard Murnane, 117–32. New York, NY: Russell Sage Foundation.

tutions fail to engage in meaningful outreach, impose fees for college applications that create additional barriers, hinder access to aid by veiling it beneath masses of requirements that even college-educated, financially literate adults have difficulty navigating.¹³

Our unwillingness to confront this affordability challenge is holding back students all over the Nation. In communities such as Crockett County, TN, where the college-going rate dropped 20 percentage points in recent years,¹⁴ the pain is real. To tell you more about what it looks and feels like, I will turn next to students in the heartland of Wisconsin, where like so many in the country, only a small fraction of citizens who want to earn a college degree can afford to do so.

Since 2008, my research team has followed a group of 3,000 Pell grant recipients as they pursue college degrees at Wisconsin's 42 public colleges and universities.¹⁵ Our efforts have included a randomized experiment with a private financial aid scholarship, but even more importantly, we have repeatedly interviewed 50 students every 6 months whether or not they remained enrolled. I would like to introduce you to one of them, a woman I'll call Chloe, whom I first met when she enrolled in a Wisconsin technical college soon after completing high school in a small, rural Wisconsin town of just 1,800 people. Tall and blond with bright blue eyes, Chloe impressed me with her rapid-fire talk about a passion for animals. At school to become a veterinary technician, she was excited to be the first in her family to attempt college, and eager to get started. Since neither she nor her parents ever figured she'd make it to college, they had no savings. As a result, she made a reasoned decision to attend a less expensive 2-year school, and qualified for a Pell grant—and with that, she thought, she was ready to go. Almost. During that first interview together, in a near whisper, she confided that as a last-ditch effort to ensure that she had enough resources for books, she'd sold her family's horse, whom she'd raised on their farm as a teenager. It broke her heart to do it, she said, but she didn't have other ideas. The horse, it turned out, was a short-term fix: a month into school, Chloe was enjoying her classes but was regularly short of the gas money needed to commute to school. To cope, she took a job at a fast food restaurant, but they couldn't offer her enough hours, and so she found a second job at a fabric store, working at the first job in the morning and the other at night. She attended class in-between, getting home at midnight, and beginning her day again at 6 am. Working left little time for studying, but she feared loans, since she had seen credit card debt nearly destroy her mother's finances. Running from job to school to job, she looked like many of the Nation's Pell recipients: exhausted, hungry, and stressed—hardly the conditions that promote learning.

Six months later, I went back to check in on Chloe, hoping to see that she'd acclimated to the hectic schedule and gotten some advising. But college was done—she'd dropped out. The two-job-plus-school routine led her to fall asleep in her classes, and she'd earned a 1.9 GPA—putting her on academic probation. Her program of study didn't allow for that, and kicked her out.

Furious, confused, and unsure whom to talk to, Chloe bailed. Several weeks later, a bank began calling—the student loan she'd accepted during finals week, when she was trying to find another way forward, was now coming due. Unemployed, in debt, and disillusioned, Chloe was dodging their calls.

It is not supposed to be this hard to pursue further education, and it does not have to be. We do not need new resources—we need to put the ones that already exist to work where they are needed most. Ensuring that students from low-income families have more of their financial need covered without having to lean so heavily on work and loans is an effective strategy to increasing their chances of college completion. In an experiment that took place during the recent recession, my colleagues and I examined the privately funded Fund for Wisconsin Scholars grant, which is distributed by lottery among eligible first-year undergraduates attending Wisconsin's 13 public universities. Our analysis of that program produced evidence that need-based financial grants administered in the current system are effective at inducing students to remain enrolled, earn slightly more credits, and get somewhat better grades. Critically, these effects appear to be stronger when students receive more grant aid. For every \$1,000 reduction in unmet need, we estimated a 2.8 to

¹³Bettinger, Eric P., Bridget T. Long, Philip Oreopoulos, and Lisa Sanbonmatsu. 2013. "The Role of Application Assistance and Information in College Decisions: Results from the H&R Block FAFSA Experiment." *The Quarterly Journal of Economics*, 127(3), 1205–42. Hoxby, Caroline M. and Christopher Avery. 2012. "The Missing 'One-Offs': The Hidden Supply of High-Achieving, Low-Income Students." National Bureau of Economic Research. Working Paper 18586.

¹⁴Tennessee Higher Education Commission. 2010. "College-going Rate of Tennessee Public High School Graduates." Nashville, TN: THEC.

¹⁵See www.finaidstudy.org.

4.1 percentage point increase in the likelihood that recipients of financial aid would persist into their second year of study.¹⁶ Increased grant aid to low-income and working class students is a strategy that pays off.

But instead of targeting our investments in the Pell grant to ensure that it is sizable enough to make a real difference, Congress, States, and institutions of higher education have been busily spreading the wealth. Those efforts may be politically popular, but they greatly diminish the effectiveness of the dollars spent.¹⁷ Financial assistance provided based on merit without attention to need has been shown to be ineffective at changing educational outcomes.¹⁸ Yet many States and large numbers of colleges and universities focus their resources on merit aid, and even pull back institutional aid from needy students when they gain outside scholarships. In effect, they match the Federal commitment to the Pell grant program by redirecting their own spending elsewhere, including spending on country-club amenities that further alienate working students from their campuses and diminish their chances of success.¹⁹ This must stop.

FOCUS, TRUST, AND COMMITMENT MATTER

The most effective public policies are sensible and dependable workhorses aimed at doing one job and doing it well. Congress needs to turn the Pell grant into that program. To that end, I recommend the following:

1. Restore the power of the Pell grant by doubling its effective amount and focusing it on the most needy students. Three actions should be taken immediately to accomplish this:

a. Allow the expected family contribution (EFC) to go negative when a student's family income falls below the subsistence level as reflected by the income protection allowance. The current minimum EFC of zero caps financial need and need-based student aid at the cost of attendance, rendering college less affordable for students who need grant aid for their college education in order to stand a chance of succeeding and rising out of poverty.

b. Offer States incentives to agree to maintenance-of-effort provisions that ensure the Pell grant is supplemented not supplanted by State actions. More States should be encouraged to follow the lead of New York, where tuition is guaranteed not to increase more than \$300 a year over the next 5 years, and regular investments in financial aid also will occur.²⁰

c. Experiment with giving higher education institutions with demonstrable success in moving Pell recipients toward degrees some incentives to devote more of their own resources to matching the Federal investment in Pell. About \$5 billion in funding for the Pell program could be raised with the assistance of private not-

¹⁶Goldrick-Rab, Sara, Douglas N. Harris, Robert Kelchen, and James Benson. 2012. "Need-Based Financial Aid and College Persistence: Experimental Evidence from Wisconsin." Madison, WI: Institute for Research on Poverty Discussion Paper 1393-12.

¹⁷Schneider, M. and Sara Goldrick-Rab. 2011. "College Aid, The Right Way." *Chattanooga Times Free Press*. October 30.

¹⁸Bowen, William G., Matthew M. Chingos, and Michael S. McPherson. *Crossing the Finish Line: Completing College at America's Public Universities*. Princeton: Princeton University Press, 2009; Brookings Institution State Grant Aid Study Group. 2012. *Beyond Need and Merit: Strengthening State Grant Programs*. Washington, DC; Cornwell, Christopher M., Kyung Hee Lee, and David B. Mustard. 2005. "Student Responses to Merit Scholarship Retention Rules." *The Journal of Human Resources* 40, no. 4 : 895-917; Heller, Donald. 2001. The Effects of Tuition Prices and Financial Aid on Enrollment in Higher Education: California and the Nation. *Ed Fund.*; Heller, Donald. 1997, "Student Price Response in Higher Education: An Update to Leslie and Brinkman." *Journal of Higher Education* 68, no. 6 (1997): 624-59.

¹⁹According to one estimate, about two-thirds of Pell dollars distributed to private not-for-profit institutions are simply used to displace institutional aid students would have otherwise received. Public institutions do not appear to engage in this behavior, and spend far less aid on non-needy students. Turner, Lesley J. 2013. "The Road to Pell is Paved with Good Intentions: The Economic Incidence of Federal Student Grant Aid." On the use of institutional resources for amenities see Jacob, Brian, Brian McCall, and Kevin M. Stange. 2013. "College as Country Club: Do Colleges Cater to Students' Preferences for Consumption?" National Bureau of Economic Research. Working Paper 18745.

²⁰Alexander, King F., Thomas Harnisch, Daniel Hurley, and Robert Moran. April 2010. "Maintenance of Effort: An Evolving Federal-State Policy Approach to Ensuring College Affordability." American Association of State Colleges and Universities, A Higher Education Policy Brief. Also see Harnisch, Thomas L. July 2012. "Update on the Federal Maintenance of Effort Provision: Reinforcing the State Role in Public Higher Education Financing." American Association of State Colleges and Universities, A Higher Education Policy Brief.

for-profit institutions that currently supplant rather than supplement the Pell grant.²¹

2. Encourage more Pell recipients to become academically and financially prepared for college by letting students and their families know early and often that the Pell awaits them. Too many eighth graders have no idea they are college-bound and therefore do not get ready. Their families are not getting any wealthier as they wait, and an early commitment of financial aid could make a big difference. Fund the demonstration early commitment Pell program for eighth graders receiving free and reduced price lunch that was authorized in the Higher Education Act, and rigorously evaluate it.²² The President's Budget includes a \$67 million request for research innovative on financial aid programs that should be used for this purpose.²³

3. Bring more resources to the most talented Pell recipients who earn private scholarships by ending award displacement so that they can gain the full monetary value of that philanthropic investment. Award displacement occurs when receipt of an outside scholarship, leads to a reduction in other forms of financial aid, especially grants. The consequence is that a student who has worked hard to gain the scholarship experiences no net financial gain, and therefore improvement in his or her ability to pay for college. This problem should be addressed with three actions:

a. Expand the definition of cost of attendance in section 472 of the Higher Education Act to include other common living expenses, such as the cost of a computer and student health insurance.

b. Increase the overaward tolerance from \$300 to \$2,500 in 34 CFR 673.5(d) and (e), 34 CFR 682.604(i), 34 CFR 685.303(e), and Section 443(b)(4) of the Higher Education Act of 1965 [42 U.S.C. 2753 (b)(4)]. Rather than help stretch Federal funds further, overaward regulations simply let institutions off the hook for meeting the needs of their students.

c. Strike references to scholarships and fellowships from the definition of estimated financial assistance and the coordinating restrictions in 34 CFR 673.5(c)(1)(vi) and (viii), 20 U.S.C. 1078(a)(2)(C)(ii)(II), 20 U.S.C. 1087vv(j)(1) and 26 U.S.C. 25A(g)(2) and by adding exclusions for scholarships and fellowships in 34 CFR 673.5(c)(2).²⁴

4. Support students who work hard and keep their student debt low by expanding the income protection allowance and reducing the assessment rate on student earnings. Students work while attending school because they need the money; removing their financial aid based on those earnings creates perverse incentives and encourages them to take on more debt. This especially hurts single parents pursuing college degrees.²⁵ Raising the income protection allowance (IPA) by \$2,000 will help ensure that more of their earnings are used to prevent additional debt, and lowering the assessment rate from 50 percent to 40 percent will further promote that goal.

5. Further focus the Pell on college completion by reducing complexities and requirements that prevent the students who receive it from keeping it until they complete degrees. Eliminate the need to re-file the FAFSA for recipients who are continuously enrolled at the same institution. Require students to file only for a change in circumstances that increases their need, nudging them to maintain their financial aid and keeping their net price more stable from year to year.

In addition, given that most students in the Nation mainly experience financial aid in the form of student loans, it is important that their costs be stabilized. We cannot expose American families who are experiencing no growth in family income to the full brunt of the market. Students deserve the same protections provided to home-buyers and small business owners; a cap on interest rates is required to ensure that interest rates do not skyrocket.

²¹Turner, Lesley J. 2013. "The Road to Pell is Paved with Good Intentions: The Economic Incidence of Federal Student Grant Aid."

²²Kelchen, Robert and Sara Goldrick-Rab. 2013. "Accelerating College Knowledge: Examining the Feasibility of a Targeted Early Commitment Pell Grant Program." Madison, WI: Institute for Research on Poverty Discussion Paper 1405-13.

²³For additional details on the research needed to better inform future policymaking regarding financial aid, see Harris, D.N. & Sara Goldrick-Rab (2012). "Improving the Productivity of Education Experiments: Lessons from a Randomized Study of Need-Based Financial Aid." *Educational Finance and Policy*, 7(2); 143-169.

²⁴The details of these proposals originate with the authors of a forthcoming white paper from the National Scholarship Providers Association, to be released in May 2013. Details can be obtained from NSPA executive director Amy Weinstein, at aweinstein@scholarshipproviders.org.

²⁵Goldrick-Rab, S. & Kia Sorensen (2010). "Unmarried Parents in College." *Future of Children*, v20(2): 179-203; Shaw, K., Goldrick-Rab, S., Mazzeo, C., & Jacobs, J. (2006). *Putting Poor People to Work: How the Work-First Idea Eroded College Access for the Poor*. New York: Russell Sage Foundation.

IMMEDIATE ACTION IS REQUIRED

To summarize, I hope you take away these three things from my remarks today. First, need-based grants matter for students' educational success. Most students in this country, particularly working class and low-income students, will not earn a college degree without them. If you want to increase college access, affordability, and completion, the Pell grant must be restored to its full capacity. It has been neglected and reconstituted in ways that make it harder, not easier, for America's working poor families to obtain. We should be doing the opposite.

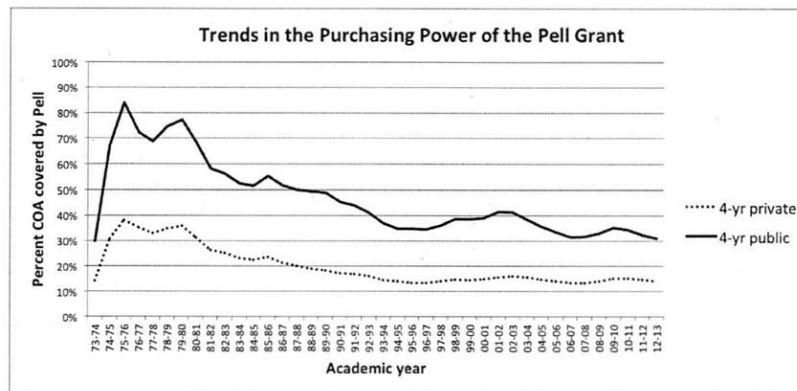
Second, the student loan program should not be used as a piggy bank to finance other aid. We all reap the benefits of a democratic nation full of talented, college-educated neighbors and friends; we must all therefore bear the collective responsibility of properly funding it.

Third, Congress and the States must reverse the unconscionable trend of pushing people to take on levels of debt they are uncomfortable with, simply because they wish to become better educated. Income-based repayment is a safety net. It should not be used as an excuse for bigger, more expensive student loans.

Debt aversion is real for real students. The prospect and reality of high levels of student loan debt have multiple negative consequences for students like Chloe.

We can do better by her and millions like her.

Figure 2.



Note: COA= Cost of attendance including tuition, fees, room and board
Sources: U.S. Department of Education and College Board, 2012

The CHAIRMAN. Thank you very much. Where is your grandfather? Where is he? Oh, right there. Thank you very much.

I always said the GI bill after World War II—out of the ashes of World War II and the debacle of the Great Depression, the GI bill built the middle class in America. Thank you for being here. I also had the GI bill, too. Thank you very much.

Ms. Brooks, welcome and please proceed.

STATEMENT OF VIVICA BROOKS, STUDENT, BOWIE STATE UNIVERSITY, BOWIE, MD

Ms. BROOKS. Thank you. Good morning, Chairman Harkin, Ranking Member Alexander, and distinguished members of the committee. Thank you for the opportunity to speak today about the issue of college affordability and my personal experience.

Again, my name is Vivica Brooks, and I am a senior at Bowie State University in Bowie, MD, majoring in business with a concentration in marketing. I chose Bowie State for its convenient location, its exceptional college of business, and, most importantly,

its affordable tuition. The cost of tuition was so important to me because I accepted the full burden of paying for my education.

As I applied for financial aid, I found the FAFSA process moderately simple to complete. In my first year, I chose to receive a Federal direct subsidized loan. I chose the subsidized loan over the unsubsidized loan because the interest rate is lower and would be less of a financial burden to me when I graduate from college.

Throughout my matriculation of college, I worked part-time to cover the remaining tuition balances and costs of living. At times, I struggled with juggling class and work, but I managed to pay for school and maintain my grades throughout my freshman year. I took a year off from school when I gave birth to a bouncing baby boy in December 2009. I returned to school in the fall of 2010 and accepted both the Federal Pell grant and Federal direct sub loan. I was now a successful student and mother, juggling academics, work, and family life.

Federal funding attributed greatly to my ability to engage in the full college experience. Without it, I would be in a predicament where I spent more hours working to pay my tuition than focusing on my education itself. Currently, I am a senior at Bowie State, working 40 hours per week. I take courses both online and in class in the evenings.

I am still a recipient of the Federal Pell grant and the Federal direct sub loan. In addition, I now receive a Maryland Educational Assistance Scholarship and a Bowie State Mission-based scholarship. I recently learned that I have reached my maximum limit for subsidized loans, and I am in the process of planning how I will pay for my last semester this coming fall.

Looking back on my college career and how I secured my financial aid, there are a few things that I would have done differently or wish I had more information. First, I would have conducted more research on other possible aid opportunities. And, second, I would have saved more throughout the year so I would not have accumulated the amount of debt that I will have to repay following graduation.

With respect to my peers and friends, I feel that many navigate through the financial aid process timidly, undereducated, and otherwise unconsciously. Some of my peers fear the debt that loans will bind them in, and others are ill-educated and believe that they may not qualify for loans for various reasons, such as grades from high school or other background information.

Every opportunity to further educate the student population and prospective student population should be taken. Overall, Federal programs, private programs, and scholarships have played a tremendous role in my ability to afford college, and for that, I am truly grateful. I encourage Congress to continue to recognize and reassess the needs of students in order to create and modify existing programs for qualifying individuals that help lessen the debt students face after graduating.

In closing, success can be accomplished not only by responsible stewardship, but also by obtaining a plethora of knowledge through higher education. Therefore, I believe it is your duty as lawmakers to continue to lay the foundation and provide our citizens with programs designed to ensure affordable higher education for all.

Thank you for this opportunity to speak with you, and I am happy to answer any questions that you may have.
 [The prepared statement of Ms. Brooks follows:]

PREPARED STATEMENT OF VIVICA BROOKS

SUMMARY

Chairman Harkin, Ranking Member Alexander, and distinguished members of the committee, thank you for the opportunity to speak today about the issue of college affordability and my personal experience. My name is Vivica Brooks, and I am a senior at Bowie State University in Bowie, MD majoring in Business with a concentration in Marketing.

I chose Bowie State for its convenient location, its exceptional College of Business and most importantly, its affordable tuition. The cost of tuition was so important to me because I accepted the full burden of paying for my education. As I applied for financial aid I found the FAFSA process moderately simple to complete. I chose to receive a Federal Direct Subsidized Loan. I chose the subsidized loan over the unsubsidized loan because the interest is lower and would be less of a financial burden to me when I graduate from college.

Throughout my matriculation of college I worked part-time to cover the remaining tuition balances and costs of living. At times I struggled with juggling class and work but I managed to pay for school and maintain my grades throughout my freshman year. I took a year off from school for the fall of 2009 and spring 2010 semesters when I gave birth to a bouncing baby boy in December 2009. I returned to school in the fall of 2010 and accepted the Federal Pell grant and Federal Direct Sub Loan. I was now a successful student and mother juggling academics, work, and family life all thanks to having Federal funding.

I am currently a senior at BSU working 40 hours per week. I take courses both online and in class in the evenings. I am still a recipient of the Federal Pell grant and Federal Direct Sub Loan. In addition, I now receive Maryland Educational Assistance scholarship, and a BSU Mission-based scholarship. I recently learned that I have reached my maximum limit for subsidized loans and am in the process of planning how I will pay for my last semester this coming fall.

Looking back on my years at Bowie State and how I secured my financial aid, there are a few things that I would have done differently or wished I had more information. I would have done more research about other possible aid opportunities. I also would have saved more throughout the years so I would not have accumulated the amount of debt that I will have to repay following graduation. With respect to my peers and friends, I feel that many navigate through the financial aid process timidly, under-educated, and otherwise unconsciously. Some of my peers fear the debt that loans will bind them. Others are ill-educated and believe that they may not qualify for loans for various reasons, such as grades, or other background information.

Overall, Federal programs, private programs, and scholarships have played a tremendous role in my ability to afford college, and for that I'm truly grateful. I encourage Congress to continue to recognize and reassess the needs of students in order to create and modify existing programs for qualifying individuals that help lessen the debt students face after graduating. In closing, success can be accomplished not only by responsible stewardship but also by obtaining a plethora of knowledge through higher education. Therefore, I believe it is your duty as law makers to continue to lay the foundation and provide our citizens with programs designed to ensure affordable higher education for all.

Thank you for this opportunity to speak with you and I am happy to answer any questions you may have.

Chairman Harkin, Ranking Member Alexander, and distinguished members of the committee, thank you for the opportunity to speak today about the issue of college affordability and my personal experience. My name is Vivica Brooks, and I am a senior at Bowie State University in Bowie, MD majoring in Business with a concentration in Marketing. My brother, who is also a student at Bowie State, and I were raised in a modest two-parent middle-class family in Maryland.

At an early age I knew I wanted to go to college and with the support of my family, teachers, and friends I was confident in my decision. In my senior year of high school I began to research potential colleges and universities. I narrowed my search to five universities: the University of Maryland, College Park, University of Maryland, Baltimore County, Howard University, Delaware State University, and Bowie

State University. Each of these institutions offered me the convenience of being close to home; however, affordability played a huge role in my ultimate decision. I chose Bowie State for its convenient location, its exceptional College of Business and most importantly, its affordable tuition. The cost of tuition was so important to me because I accepted the full burden of paying for my education. In my senior year of high school, my counselor and I had several discussions about financial aid scholarship opportunities. She directed me to utilize the Internet and research FAFSA, State, and private opportunities. My teachers were also instrumental in aiding me with navigating through various scholarship applications. I also found and applied for several private scholarships as well as completing a FAFSA.

I found the FAFSA process moderately simple to complete. Upon my admittance into Bowie State I was given the opportunity to select from a list of offered loans. However, because of my dependent status my household income was not considered low-income and I was only offered enough funding to cover a portion of my tuition. Since my parents were not financially responsible for my education; I chose to receive a Federal Direct Subsidized Loan. I chose the subsidized loan over the unsubsidized loan because the interest is lower and would be less of a financial burden to me when I graduate from college.

During my freshman year I worked part-time to cover the remaining balance of my tuition through a payment plan. The benefit of the payment plan was that it allowed me to make more affordable monthly payments instead of paying the term in-full upon registration. At times I struggled with juggling class and work but I managed to pay for school and maintain my grades throughout my freshman year. I took a year off from school for the fall of 2009 and spring 2010 semesters when I gave birth to a bouncing baby boy in December 2009. With the new addition to my family, my finances changed drastically. As I planned to return to school in the fall of 2010, I completed my FAFSA and learned that I was eligible for the Federal Pell grant. I returned to school in the fall of 2010 and accepted the Federal Pell grant and Federal Direct Sub Loan. These funds covered my tuition in full and were a great help. Without these funds, I would not have been financially stable enough to return to school. In my junior year I was offered and accepted similar loans, grants, and scholarships of the year prior. The flexibility of no longer having such a grand financial burden allowed me the time to work less hours and participate in school organizations and activities. In the fall of 2011, I became a member of BSU's Golden Girls Cheerleading Squad. I was now a successful student-athlete-and mother juggling academics, work, and family life all thanks to having Federal funding.

I am currently a senior at BSU working 40 hours per week. I take courses online and in class in the evenings. I enjoy this hybrid schedule. It is extremely convenient and practical for my lifestyle. I am still a recipient of the Federal Pell grant and Federal Direct Sub Loan. In addition, I now receive Maryland Educational Assistance scholarship, and a BSU Mission-based scholarship. I recently learned that I have reached my maximum limit for subsidized loans and am in the process of planning how I will pay for my last semester this coming fall. With regards to my future after graduation I have a few concerns. Looking back on my years at Bowie State and how I secured my financial aid, there are a few things that I would have done differently or wished I had more information. First, I would have done more research about other possible aid opportunities. I also would have saved more throughout the years so I would not have accumulated the amount of debt that I will have to repay following graduation. Additionally, I would have familiarized myself more with the terms of my loan agreement. I was not previously aware that there was a limit to the total amount one could receive in subsidized loan funding; I regret not knowing because I could have saved more and utilized the funds from my previous years at BSU more efficiently.

With respect to my peers and friends, I feel that many navigate through the financial aid process timidly, under-educated, and otherwise unconsciously. Some of my peers fear the debt that loans will bind them. Others are ill-educated and believe that they may not qualify for loans for various reasons, such as grades, or other background information. There are others who would rather just pay for it all themselves and rather take on the burden of working full-time and going to school part-time.

Overall, Federal programs, private programs, and scholarships have played a tremendous role in my ability to afford college, and for that I'm truly grateful. The Federal Government's role in financing student's education, especially lower-income students like myself where affordability is critical, has been a job well-done. I also appreciate that Congress reduced interest rates on Federal student loans, which is critical to making higher education more affordable. I encourage Congress to continue to recognize and reassess the needs of students in order to create and modify

existing programs for qualifying individuals that help lessen the debt students face after graduating. I will continue to be optimistic about the future of Federal funding and the affordability of tuition for students.

In closing I would like to state that the economic future of the United States relies heavily on the success of its citizens. Success can be accomplished not only by responsible stewardship but also by obtaining a plethora of knowledge through higher education. Therefore, I believe it is your duty as lawmakers to continue to lay the foundation and provide our citizens with programs designed to ensure affordable higher education for all.

Thank you for this opportunity to speak with you and I am happy to answer any questions you may have.

The CHAIRMAN. Thank you very much, Ms. Brooks.

Thank you all very much for your great statements.

We'll begin now a round of 5-minute questions. I want to start with Mr. Senack.

You mentioned about simplifying the income-based repayment process. And, basically, you pointed out only one in five eligible are taking advantage of this. Why? Why is that?

Mr. SENACK. Sure. That's a great question. Thank you, Senator. I think it's a combination of different things. This was underscored by the fact that I was actually in a meeting on the Hill a few weeks ago, and a couple of the staffers here were talking about how they were struggling to enroll in the IBR program.

I think it's just a combination of two things, one, just making sure the information is available and they're well-educated about their options. I think improving loan counseling, particularly exit counseling, is critical in communicating that information. I don't remember the specific number, but a majority of students don't even recall having gone through loan counseling a year after leaving school, and that seems like a red flag. We should definitely improve exit counseling.

Also just simplify the process. It seems like there are some issues in terms of getting the application approved or just administration of the actual paperwork.

The CHAIRMAN. Enlighten me on this. When a student graduates and they have this debt, do they get some kind of proactive information about income-based repayment, or do they have to apply and ask about it? Does the government, the Federal student loan program, notify them and give them information about it? Do you know the answer to that question?

Mr. SENACK. I actually don't remember too well my exit counseling. I mean, I imagine it's included in exit counseling. I think it would be good to make it more of a priority, and that includes following up in years after. But it can be difficult to track down the information.

The CHAIRMAN. Let me ask all of you about loan counseling. You all noted in your testimonies that institutions of higher education are required to provide mandatory entrance and exit loan counseling for student borrowers. Yet a recent poll showed that 40 percent of the students don't even remember having received that counseling. So you wonder how transitory that counseling really was.

Since you're all borrowers, I was wondering whether you could share with us what you thought of your loan counseling. Do you feel like it provided you with all the information you needed to understand what you were getting into?

Ms. Donelson, obviously, you had a financial counselor that really did, from your testimony.

But how about the others? Did it give you the information you needed? Were there ways in which it could have been more helpful?

Ms. Brooks, I see you're ready to answer that.

Ms. BROOKS. Thank you. Great question. Actually, in my freshman year in 2008, they do an introductory course at Bowie State University that prepares you for financial aid and gives you a lot of information. However, they did not include information—or that I can recall—information about there being a maximum limit on the loans, subsidized or unsubsidized.

Had I known that, I would have taken the loans and spread them out more throughout my matriculation through college. Because I used them at such various times to pay for needs, I am at a situation now where I need to find more money to pay for just my last semester in order to graduate in December.

The CHAIRMAN. Anybody else?

Dr. Goldrick-Rab.

Ms. GOLDRICK-RAB. I've been giving a lot of thought to this issue of the loan counseling. I can tell you that this experience is very common. It is very unusual for a college to offer what is apparently being offered at her university. A college course to help students understand financial aid is a great idea in theory. It's very difficult to get the institutions to do it. Some of them are trying it. At the University of Wisconsin-Milwaukee, for a subset of grant recipients, they are attempting a one-credit course in this regard.

The Federal student aid folks are working hard on the issue of loan counseling, and I have been in touch with them. I have reviewed the proposed revisions to loan counseling, and some of them have begun to roll out. This is what I will say, and we're trying to do research on this right now. This is something that I've been actively trying to understand, what students really get from it.

A lot of information is now being provided. It is text heavy, it is difficult to navigate, and it contains a lot of terms that, frankly, are above the levels of financial literacy of not only our undergraduates but, frankly, most Americans. It also takes an attitude toward many of our students that I have to say would be off-putting.

For example, it tells students, "Well, are you running out of money? Here's some strategies. Don't go out to eat." Research does not suggest or support the idea that most hardworking students are wasting their money on luxurious restaurant meals. It suggests that they are already taking these strategies. So, in other words, it doesn't offer them real alternatives when they are already understanding these sorts of things. It simply gives them an array of terms and program options. IBR is not well-explained in the current system. It is given with a set of acronyms and complex terms.

The CHAIRMAN. Any other thoughts?

Ms. Donelson.

Ms. DONELSON. Well, I did have a lot of counseling. My financial aid advisor—well, Tiffany, the director—sat down and explained to me, "Now, you can only borrow this much for this year, so let's see what we can do and stretch this out." And if she said something to me like, "Oh, you have to pay \$300 to finish your books," I'm like, "Cool. I'll take \$300. I'm OK with that."

So she was able—I'm very thankful for Tiffany. She actually got with me a couple of days ago. We need to sit down so we can look at this. And the financial aid puts on a lot of events, so it was like, "Financial aid will be in the student center. Come talk to us. We want to speak to you. Always come see us." And it's required the first week of your freshman year at Lipscomb that you see financial aid. You have a day assigned to financial aid, so you have to talk to them.

If you go in and be oblivious to what's going on, it's actually, I feel, on the student. I was just determined that this is what I have to do, and this is what I'm going to take care of to get what I need. So I guess it's just different.

The CHAIRMAN. Thank you all very much.

Senator Alexander.

Senator ALEXANDER. Thanks, Mr. Chairman. This is very helpful, and I want to stay on topic, although I can't resist making a comment that would provoke a big discussion here, particularly from my Democratic friends.

The primary reason for less State aid for public colleges and universities, which are attended by three out of four students, is Federal Medicaid mandates soaking up money that would otherwise go to public higher education. It's gone from 8 percent in the 1980s to 26 percent today. It's never discussed at hearings like this in a serious way.

I'm not talking about President Obama. I'm talking about what's happened over the last 30 years, as the Medicaid program was growing and States shoulder 40 percent of the bill. That's where the moneys come from, and that's why your tuition has gone up if you're at a public college or university. So that's our responsibility.

The other part that's our responsibility are Federal grants and loans—I mean, regulations. Senator Harkin and Senator Franken have legislation, and I had some legislation when I first got here to try to simplify things. Maybe as we think about this, we could get rid of some of the rules which we now have about helping you understand what your loan would be and replace them with better rules so that we don't add to that.

For example, as Senator Harkin was indicating, we already have required by law a college navigator, a student shopping sheet, a net price calculator, disclosure. All this was in the Higher Education Act. Each school is supposed to say what the loans and the responsibilities are of a student who is a borrower with a long list of what that entails. We require each school to provide counseling with a long list of what that entails.

Schools are audited annually on these efforts. I wonder how that could be, with 6,000 colleges and universities and 12.5 million students who have grants or loans. We have spent \$68 million on 15 different financial literacy programs. So, obviously, part of the big stack of regulations we have are things we've already, in a well intentioned way, tried to require.

So let me go to you, Ms. Donelson, and ask you this. Of the things that made the most difference to you, it sounds like it started with your high school advisor and then your financial aid advisor at Lipscomb. Is that where you got the best information? Because you made a decision to go to a more expensive school. I

mean, you could have gone to Middle Tennessee State University. The tuition there is \$8,000 a year or so. At Lipscomb, it's twice that. Right?

Ms. DONELSON. Yes, sir.

Senator ALEXANDER. Or you could have started out with 2 years at a community college and then gone to Lipscomb, and the Pell grant is about equal to the community college tuition. But you made a decision that the best way for you to get an accounting master's degree was to take a more expensive route. Of all these things that we hear about, what was the most helpful thing to you in making that decision?

Ms. DONELSON. As far as choosing Lipscomb instead of the—

Senator ALEXANDER. In deciding to run up—you've run up a debt—

Ms. DONELSON. Yes, sir.

Senator ALEXANDER [continuing]. That you didn't have to run up. You could have gone to some other school at a lower cost. But you're comfortable with that decision. Right?

Ms. DONELSON. Yes, sir. Actually, Tiffany Summers was—the whole financial aid family—they were very, very helpful. It's sad to say I stayed in the financial aid office more than a usual student would. They would see me and say, "Hey, Derrica, what's going on today?" So that's the sad thing about it. But she was very helpful with the decision. And my mom was very, very involved. Me and my mom worked together on how we were going to support the family and how we were going to make it.

We asked ourselves, "Can we do this? Can we work this out?" And then Tiffany sits down and says, "Well, this is what it is, and this is what it requires for you to do once you take this step." And so by working with my mother and Tiffany, I have been able to make a plan for myself that I think is obtainable, that is what I can do. I'm not trying to get ahead of myself, but I feel like I can do this.

Senator ALEXANDER. So you're comfortable with the higher debt you received because—even though it wouldn't have had to be that high if you had gone to a less expensive college.

Ms. DONELSON. Yes. I am comfortable with that, even though that sounds bad. But I am comfortable with that.

Senator ALEXANDER. No, no, it doesn't sound bad. It sounds like you spent a lot of time making an informed decision. And if you're that comfortable with it, you'll probably be a great success.

Mr. Senack, you heard that list of all the things that the law requires colleges and universities to do. From the perspective of a student, what would be the one or two things—if you were me or Senator Harkin or Senator Franken working on a new piece of legislation to try to improve this, is there anything you'd get rid of or improve or replace? The words were used, text heavy. That sounds like a lot of things around here. What advice would you have for us?

Mr. SENACK. Absolutely. I think the Department of Education has been seriously working to build financial literacy, and I think that's why they have such a variety of tools. What's out there right now is targeted at different constituencies. So things like the col-

lege navigator or the college score card are directed at students who are searching for a school and deciding where to go.

Senator ALEXANDER. In your experience, have those been helpful to students?

Mr. SENACK. Well, they weren't around when I was looking for a school. But I think in our constituencies across the country, it's definitely been beneficial to have the information out there. I definitely think that there are steps that can be taken to simplify and communicate the most important things in that information. In particular, I think the shopping sheet scores better than most other types of financial aid letter in terms of comprehension, so I think that's an important step. But I do think that communicating the information is absolutely critical to keeping debt down.

Senator ALEXANDER. Ms. Brooks, obviously, one piece of information that either wasn't taught or didn't get through was the loan limit. Have you thought about any suggestions you'd have for us as we think about what we already require, which is quite a bit, of colleges and universities and what actually might work as you're gathering information about grants and loans?

Ms. BROOKS. Thank you. I definitely think that you all have done an extremely great job so far. But for the future, I can't say that I have any definite suggestions. However, if it's on the lines of institutions making sure that they give the right information to the students—like they've said, text heavy information, things that I would not understand when I'm filling out financial aid questions, and if I had questions, who could I go to.

If I'm researching online, and there's something that is unclear—not all institutions have these great financial aid offices or counselors that we can go to, unfortunately. So when researching these things online, make it clear what is to be expected of the student after graduating in terms of repayment and the maximum limits on these loans.

Senator ALEXANDER. Thank you, Ms. Brooks.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Alexander. On my list, I have Senators Baldwin, Murphy, Franken, Murray, and Whitehouse in that order. So I'll recognize Senator Baldwin.

Senator BALDWIN. Thank you, Mr. Chairman and Ranking Member Alexander, for holding this important hearing.

I want to particularly thank Dr. Goldrick-Rab for your testimony, your familial story and bringing your grandfather here with us, and putting a lot of this debate in a historical context. I think sometimes that we've forgotten the role that access to higher education plays in giving meaning to the American dream, making it real, not just a dream, and building our middle class.

I repeat often our President's words from the State of the Union—not this past one, but the one before—that to win the future, we must out-educate, out-innovate, and out-build the rest of the world. And we're losing ground on that. I've spent a lot of time in the last couple of years interacting with students at various settings across the State of Wisconsin, students in private universities and colleges, students at our public universities, at our technical and community colleges, and they're struggling mightily, as your story of Chloe reveals.

I have just a couple of specific questions. I'll start with Dr. Goldrick-Rab, but anyone who has further insights, I would certainly appreciate hearing from you.

I've been visiting a lot of technical colleges recently, and at some of them, they've seen a real change in the demographic of their student population with our recent deep recession. Many have been displaced in the recession from their manufacturing jobs. Others are looking for an opportunity to perhaps move ahead in a setting in which they're currently working. They're finding that our financial aid system, in many cases, is just unavailable to them if they are seeking a couple of semesters, a certificate rather than a full degree, and finding it so challenging to move out of, say, "minimum wage employment" to something that would be readily available in their immediate communities that could pay \$15, \$20, \$25 an hour because of that gap.

So I wonder if you can comment on those nontraditional students caught in between and how we can better serve them. I'll start with Dr. Goldrick-Rab, but anyone else who has comments, I would appreciate.

Ms. GOLDRICK-RAB. Thank you for the question. I guess the first thing I want to say is that those so-called nontraditional students are actually the traditional students now.

Senator BALDWIN. Yes.

Ms. GOLDRICK-RAB. It's a terrible term. They're the majority. Most students in this country don't look like these folks. These are extraordinary people, and I wish that the Nation was full of such extraordinary people making such extraordinary choices with extraordinarily supportive families and extraordinarily supportive college settings. But that isn't the case. That is not the common experience at all.

The folks that you're talking about really are struggling. They're the ones who need a little bit more, just a few courses perhaps. They already have families. They've already been in the labor market, and they're coming back in to get a bit more. That is really the story of so many of them, and the aid system is not really well supportive of them.

If they want to do this in a fashion that is online, for example, the UW flex degree that people are working toward creating right now in Wisconsin—it is not very well-aligned and supported by our current financial aid system. Asking these folks to take on the student loans—they look at this calculation a little bit differently. They already have debt in their families. They've been out of work.

So asking them to take on more—and they don't have their whole lives in front of them to pay it off. This feels highly unrealistic to them. Many of them are really at the bottom, and the need calculation doesn't leave them with very much. So I think this is something to take a really close look at in the upcoming reauthorization and make sure that it is built for them.

Senator BALDWIN. With just a few seconds left, the other question I wanted to ask was about where the financial aid literacy should begin. We were talking about having a conversation earlier about courses as undergraduates. But it strikes me when we try to have young people see college as a path, we often don't have that financial aid conversation early.

When should it begin? What programs should be funded that aren't right now? I think some are authorized and not fully supported.

Ms. GOLDRICK-RAB. I would not make this a higher education project. This needs to be a project that begins, frankly—we're talking about early childhood a lot. They're perfectly capable. They're learning numbers. These lessons need to begin then. And the reason for that is that the college choices of many students are determined by the time that they're in eighth grade. If they don't understand that college is affordable by that point, then they do not take the courses that they need to get ready.

That is the main reason that low-income students are not finishing their degrees. They were never ready in the first place with their courses. So, please, make that a part of the reforms that you are taking around K-12 education and those sorts of things rather than placing them at the other end of the educational pipeline.

The CHAIRMAN. Thank you, Senator Baldwin.

Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman.

Last week, I was at an afterschool center in Danbury, CT, and I was talking with an amazing group of volunteers that were kids that were teaching boxing lessons and dance lessons. They were all high school graduates invested in their community. But none of them are going to college. There were about four or five of these kids.

I said, "Well, for how many of you is the reason that you're not going to college, money?" They looked at me like I had horns on my head. They said, "Well, of course, the only reason why we're not going to college is money. Of course, we would be there if we could afford it." Some of them couldn't afford it under any conditions. Several of them had to be working to support their families.

I just thought, what an absolute tragedy that these kids, who are already committed to this community, who have shown that they're willing to go above and beyond the call to make our State a better place, aren't able to get a degree. Part of it was that they were scared off because they had heard stories of their friends and older brothers and sisters who had tried and come out with just these enormous amounts of debt and no way to repay them.

I want to start with you, Mr. Senack, because one of the things we're going to be talking about—and you mentioned it in your testimony—is the rate at which students are going to be paying. It might not sound like a lot of money to some Senators and Members of Congress, that the difference between 3.4 percent and 6.8 percent is going to be \$1,000, or maybe on the high end \$4,000, over the course of the loan.

But the reality is for most kids graduating college these days is that they're not making enough money to pay the bills, never mind to pay back these loans. So can you just paint a little bit of a picture for us about the stakes of this debate over the rate that is being paid and what the reality is? You've recently graduated. All your friends are out in the workforce today. What's the picture today of the ability of a recent college graduate to be able to pick up an extra thousand dollars or an extra couple of thousand dollars in loan repayments just based on the difference in interest rates?

Mr. SENACK. Sure. Thank you for the question. I think it's important to recognize, first off, that subsidized loans, which the rate is set to double on, are targeted at the most needy students. We're not just talking about the people who are able to make their 10-year repayment plans. We're talking about the students who needed more money to go to school than what's out there in grant aid.

You know, \$1,000 is a significant amount of money. If you were taking out four loans, one for every year of school, that puts your debt over \$30,000 if you're already at the average. There's 7 million students across the country who have subsidized loans. There are 10 million who have unsubsidized loans. Beyond that, there are millions and millions more who have PLUS loans or Perkins loans.

So there's a significant amount of the college population that's relying on these direct loans to stay in school. When the students are looking at going back to school next year, \$1,000 is a significant amount of money. And it's unfortunate that that will turn heads and will change minds about being able to afford to continue to stay at a school of higher education.

Senator MURPHY. Clearly, one of the things here is what we can do to try to make the package that we give students more generous. But part of our discussion is how we can make college cheaper. How do we get you through 4 years at lower costs?

Ms. Brooks, I wanted to ask you about online courses, because you said you've been taking online courses during the day and doing classes in person at night.

And, Dr. Goldrick-Rab, you referenced that your university is moving more toward some online education.

Ms. Brooks, can you talk about your experience in taking online courses? You're taking both, so you're a perfect person to talk about the kind of education you think you're getting online, which, ultimately, we think, can be cheaper than what you get in person. How does it compare to your classes that you take at the university?

Ms. BROOKS. Thank you. And, first, I'd like to say that I appreciate taking hybrid courses, both online and evening classes. It offers me the flexibility to be able to work and, on breaks, enter my classroom setting online and be able to catch up on work that I may have missed if I had to miss a class because of a doctor's appointment for my son or a day at work that I couldn't miss for a class. And evening courses, as well, I appreciate for offering the accommodation I need to both be able to work and attend school at the same time.

Above all, though, I appreciate online courses. I think that they are great. I receive the same amount of information I would as an in-person class. If it is cheaper for me to take online courses, I would much rather do that. And if I had a schedule where I could take all online courses, I definitely would. I appreciate them much. Thank you.

Senator MURPHY. Well, thank you very much. I think a big part of our discussion has got to be how we deliver a skill set for less money and perhaps less time.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Murphy.
Senator Murray.

STATEMENT OF SENATOR MURRAY

Senator MURRAY. Thank you very much, Mr. Chairman. I really appreciate you having this hearing. I think it's one of the most compelling issues that we need to address for the future of our country. If we are hearing, as Senator Murphy said, from young kids who have already decided they are not going to college because of costs, that's the future of our country. So this is just such an important issue, and I really appreciate this.

You've talked about a number of the issues I was going to ask about. I was very happy to hear you, Dr. Goldrick-Rab, talk about what we call traditional students becoming no longer traditional students, because if you go on campuses—and Ms. Brooks is a perfect example of who you might look at and say is traditional, but very nontraditional, trying to raise a family and do all the work and everything at the same time.

Most people think a traditional student goes to school in the morning, goes home at night, does their studies, and goes back the next day. And, in fact, most of our students today have jobs, they are raising families, and some of them are in the workforce.

I wanted to ask what programs or initiatives are most helpful to you, Ms. Brooks, in balancing your family and your work and your classes.

Ms. BROOKS. I would definitely say, again, the online courses and offering evening courses are definitely a big help. I am flexible in maintaining the schedule that I do have, working 40 hours per week. Every morning, I work, and being able to have these classes at night and online is a big help. If I did not have that, I would not be able to take as many courses and graduate on time. And would that affect how much money that I would have to put out to go to school? Those are questions that I ask myself if those weren't offered to me. So I appreciate those programs.

Senator MURRAY. Does anybody else have any ideas about how we address that?

Ms. Donelson.

Ms. DONELSON. I actually intern at Regional Care Hospital Partners. That allows me to work up to 40 hours a week. But the MAcc program is set up for you to be able to work a full-time job and go to class at night. So I usually have a class for 4 hours, even though that sounds very nerve wracking. But it actually is very helpful that I can get this.

They have them in terms. I have an 8-week class, and every 8 weeks, I'm switching to a different set of classes, and that has helped me to be able to go through this MAcc program in an accelerated form and to get my degree in 5 years.

Senator MURRAY. So the college is being more flexible in terms of this isn't a 4-year program, where you start and 4 years later you finish. But rather, looking at you as a student and getting you out with skills.

Ms. DONELSON. Yes, ma'am.

Senator MURRAY. Dr. Goldrick-Rab.

Ms. GOLDRICK-RAB. I'd like to add to this discussion, however, that research is very clear, and there's some new research out of the Community College Research Center that indicates that while

the blended version, which you are receiving at the moment, where you have some online and some in-person, does well by students. The achievement gap grows when we push students to only have online courses.

In addition, I want to note that when students work full-time—again, I think these are exceptional folks who are managing to work long, long hours and do well in school. What typically happens is that the lowest income students work those long hours, but these are the same folks who have the least academic preparation, and this time working competes with their time for studying and academic advising.

This is why we find so many of them end up with debt and no degree, and those are the folks—

Senator MURRAY. So how do we address that? What is the best way to address that?

Ms. GOLDRICK-RAB. I think, first of all, the best way to address that is to reduce the cost of going to college so that it doesn't require one to work such long hours and to borrow. If one works 40 hours a week during college and has grant aid, there's a question about why there should still be cost left over for loans. So in the meantime—

Senator MURRAY. So what is the best way to address the affordability issue? Because what we're doing here is trying to create all kinds of ways to pay more or put more money into the system so that students can succeed. Let's ask the question: How do we decrease the cost of college itself?

Ms. GOLDRICK-RAB. How do we decrease the cost of college itself? There are many ways in which to do that. It's actually very interesting to me—Senator Alexander, you're very concerned about the regulations, and I agree with you. There are a lot of regulations, and, in fact, I do think that they are contributing somewhat to college cost. And they are also interfering with the autonomy of colleges and universities, something that they're very concerned about.

It seems to me that we have so many regulations precisely because we have created such a complicated system, and we have so many score sheets and all of these sorts of things and so much high need for financial literacy because we've created so much of a complicated system. So there's an incredible need to simplify this for the schools. And to simplify this means to go back to revisit where we were when these programs started out. We didn't have this plethora of things involved.

If you remove the number of Federal programs, if you reduce the number of those things, and you take out of the equation the availability of these student loans to these institutions, they will have to adjust. They will adjust. If families do not—

Senator MURRAY. What regulations and programs, or whatever you want to call them, would you take away or consolidate?

Ms. GOLDRICK-RAB. Right. I would reduce the availability of student loans. I would insist that the States maintain their effort and put their money into appropriations. I would redirect—

Senator MURRAY. Because you think if they didn't have all these students on student loans, they would have to look at their own institutions?

Ms. GOLDRICK-RAB. Yes, they would have to look at their own bottom lines. The fact is that they do adjust accordingly when they know that these students come with additional dollars. There is growing empirical evidence of this, particularly in the for-profit sector and in the private colleges and universities.

And the fact is that one of the reasons that public colleges and universities continue to increase their cost is because they're in a race, an arms race, with those private institutions who have defined quality as expensive. And the American public has bought an argument that equates price with quality. It isn't true. We do not need to be building the luxurious settings which these colleges and universities, including now on public campuses, are building only to keep up with their peers. We need to have teaching and learning environments that are focused on education and, frankly, nothing more.

Senator MURRAY. My time is up.

The CHAIRMAN. Senator Whitehouse.

STATEMENT OF SENATOR WHITEHOUSE

Senator WHITEHOUSE. Thank you, Chairman.

Clearly, one factor in all of this is the Pell grant. I'm from Rhode Island, and we're very proud of Senator Pell and his contribution to the creation of the Pell grants, i.e., they were his idea. Shortly after they were launched, they were contributing, on average, about 72 percent of the cost of college then. Now, that's down to 32 percent, even after the increases that we added in recent years. So it used to be more than two-thirds. Now it's less than one-third.

I'd like to ask, particularly, the students on the panel, do you receive Pell grants? Do they make a big difference? And what percentage of your financial obligation do you think they meet, roughly? You don't have to give me 31.7 percent. But how important is it, and how big a piece is it?

Ms. BROOKS. Thank you. I do receive the Federal Pell grant, and I would say that it covers 90 to 95 percent of my tuition. And I need that, of course, but without that coverage, I would be left with approximately \$6,000 worth of tuition at Bowie State University. So with the coverage of the 95 percent, I'm only required to work the 40 hours to pay the difference.

However, if I didn't have the Pell grant, then I would be left with this hefty bill, and then left with how can I afford to pay for all these classes, and then I would reduce the number of classes that I take. I'm now taking five classes per semester. To go from a full-time student to a part-time student, I then wouldn't be eligible to receive some financial aid because I'm a part-time student. So that plays a big role as well.

Senator WHITEHOUSE. Thank you.

Ms. Donelson.

Ms. DONELSON. I do receive the Pell grant, and I'm looking at the layout of my financial aid now. The way that my financial aid advisor has helped me—she has broken down for me each semester that I have used it, and it shows that it has put a significant dent in the—basically a dent in taking care of the cost for that semester.

I really can't give you a percentage, but I'm just looking at the numbers.

Senator WHITEHOUSE. But it helps.

Ms. DONELSON. Yes, sir.

Senator WHITEHOUSE. The other issue that I think we need to address is the combined problem of the for-profit sector in certain areas moving out into selling what one might even consider to be bogus education. We've got wonderful for-profits in Rhode Island. Clearly, there are some terrific examples of for-profit education.

But when there's all this money floating around, there are people who come in, and we've heard these tales of some tiny little college someplace getting bought by a hedge fund. It's got the right kind of license. Suddenly, it explodes. You've got 20,000. The degrees don't actually connect to the real world in any way that gets you your license or your certificate.

And the tough thing about it is that you're only young once, and, worse than that, whatever you borrow isn't dischargeable in bankruptcy. It's one of the very, very few kinds of loans that you can't reboot on if things haven't worked out for you. So you end up with people who have lost the learning years of their lives, and they've got a debt they can't shed. So it's hard to go back and make it right.

And where the education you got was essentially bogus and isn't useful, and you got conned by an outfit that had 300 or 400 recruiters and one person doing job placement, because that was where their interest was—bring you in, get your money, and see you later—the damage that happens in people's lives, I think, is very, very severe. To this day, I don't think anybody knows who snuck the non-dischargeable provision into the so-called Bankruptcy Reform Act, but it sure slipped in. Some lobbyist, some wheeler-dealer got it in there, and I think we do what we can to get it out.

I don't know if anybody has any experience with people who have had that situation where the degree wasn't what it was cracked up to be and they lost both the time and the money and were unable to start over and carried that burden for the rest of their lives.

Mr. Senack, do you want to speak to that?

Mr. SENACK. Sure. I think the reality is that budgets everywhere are shrinking. So it's critical that where we're investing our dollars are places that will actually be granting degrees and generating real results for students.

I appreciate all the efforts that the government has taken to make sure financial aid dollars aren't used for recruiting or advertising or things like that, because it is just so critical with the pie being so small right now that we're getting the best bang for our buck. And that means targeting this aid to schools that will actually grant degrees and get students out into the workforce.

Senator WHITEHOUSE. Thank you very much.

The CHAIRMAN. Thank you, Senator Whitehouse.

Senator Franken.

STATEMENT OF SENATOR FRANKEN

Senator FRANKEN. Thank you, Mr. Chairman and Senator Alexander, for this hearing.

You three students here today are extraordinary young people. I've done lots and lots of roundtables around Minnesota, and it seems like when we get students in, they are all extraordinary.

Sometimes, I think that it fools us, that you guys figure out how to do it. You've worked incredibly hard.

When I talk to student leaders from the MNSCU system in Minnesota, the Minnesota State Colleges and Universities, they come in, and I say, "How many of you work 20 hours a week?" They all do. "How many work 30 hours a week?" Most of them. "How many work 40 hours?" A lot of them. It's pretty extraordinary stuff, the ones that are successful, like you are. It's just that I worry about some kids who aren't so extraordinary as you are.

Mr. Senack, thank you for bringing up the understanding of the true cost of college. I agree with Senator Alexander, the Ranking Member, that making things simpler is a good idea.

And, Dr. Goldrick-Rab, you talked about these financial letters, these aid letters, these award letters. I think you pointed out that sometimes an award letter will have a loan in it and it won't say it's a loan.

Mr. Senack, you mentioned that in your testimony. So the whole idea of this is just to require everybody to use the same form, the same letters, the same terms. And when I introduced this—I'm going to reintroduce it, and it's bipartisan. When I introduced this, I had college counselors get in touch with me, saying, "Thank you. I can't figure these things out, let alone the parents and the students."

So can you talk to me, Mr. Senack, or anybody, about the value of that type of legislation, the uniform form, that everyone uses the same terms, et cetera?

Mr. SENACK. Sure. Thank you. One of the big issues with financial aid packages is that there is no consistent system. In some cases, schools will calculate their total cost differently. Some just use tuition plus room and board. Others include transportation, parking, textbooks. And it really makes it difficult to actually look at a side-by-side comparison of two different schools.

Beyond that, I mentioned that students often feel misled in terms of the awards that they're given. PLUS loans are used often to just cover the remainder of the cost, to give students a low net cost, but actually end up saddling them with tens of thousands of dollars in debt down the road.

I made the choice to go to the University of Connecticut because it was a more affordable option. I was able to tell that because I was able to make a side-by-side comparison between that and other schools. But the majority of students aren't able to do that. So it's critical that we make a system that is easily understandable. More than 600 colleges and institutions have signed on to use the shopping sheet. But we do need to take more steps to increase its use.

Senator FRANKEN. So you can compare apples to apples, oranges to oranges.

Mr. SENACK. Absolutely.

Senator FRANKEN. I know, Ms. Donelson, you took either AP or IB in high school?

Ms. DONELSON. Thank you. Yes, sir. I did. I took AP psychology, anatomy, government, and economics.

Senator FRANKEN. Great. Of course, you would have.

[Laughter.]

I, again, have done just recently some roundtables at the St. Paul College in Minnesota, Winona State University. And one of the things that students talked about was how you can get college credits, and that saves you a lot. There are actually some students who have gotten 2 years of college credits in high school. Now, boy, that cuts down the cost of college.

And you took AP, and also there are International Baccalaureates. We also, in Minnesota, have something called PSEO, which is postsecondary enrollment options or postsecondary education in the school. These do allow you to get credits.

One of the things I want to do is just be able to help kids who can't afford the tests, the IB test and the AP test. Some States do it. Some States don't. But tell me about that in terms of what the risk is, because you take an AP course, and you're essentially and hopefully buying and getting a credit that will offset some of your college costs. Right? But if you don't get the 3 on the AP test, then—how much do these cost? Do they cost about \$85—

Ms. DONELSON. Per test, yes.

Senator FRANKEN [continuing]. For the IB and about \$100 and some for the AP in high school?

Ms. DONELSON. Yes, sir. I don't quite recall what the exact cost was when I was in high school. But the risk for me was—

Senator FRANKEN. Years ago when you were in high school.

[Laughter.]

Ms. DONELSON. But the risk for me was, like you said, I could take the test, but it isn't guaranteed that I make the score for it to go for college credit. I actually got my psychology class for college credit, and I missed the government and the economics by one point. So I spent all this time going through school and taking the tests.

But, actually, it did take a lot of—but the Advanced Placement was required at MLK. But Advanced Placement was a hard class for me. I guess I was just more interested in psychology at the time, and that made me be able to excel better in that test. But the risk for me was actually taking tests and not getting the score.

Senator FRANKEN. One student I talked to who was from the University of Minnesota and a third year senior—he had gotten enough credits to be a third year senior. He got enough credits in high school. But he said that if it hadn't been for the State program, he would not have taken the IB and the AP courses because he couldn't afford them. So there are some kids that can and some kids that can't, and I'd like to make sure that they're able to do that.

I'm way over my time. I want to thank both the Ranking Member and the Chairman for this hearing. This is such an important topic. I admire you tremendously. It was a lot easier for us when we were going to school.

The CHAIRMAN. Thank you. We'll begin a second round.

Whenever I can, I always like to point out that no State has to accept Federal Medicaid money, no State. You always hear that it's like the Federal Government is coming down on the States and saying, "You've got to do this. It's a mandate." It's not a mandate. If a State wants to accept Federal Medicaid money, then, yes, they have to meet certain requirements. That's it.

But if you don't want to accept that money, you don't have to. So any State legislature could tomorrow, if they want to, vote and say, "Hey, we don't want to accept any of that Federal Medicaid money," and they can take all their State Medicaid money and put it into education or something else. So there's no Federal mandate.

Now, if there's been an increase—and there has been a terrible, huge increase in Medicaid costs, it's because we've got more poor people. You can't get Medicaid unless you're poor. You reduce unemployment from—actually, it's really around 13 percent now rather than 7 percent. If you reduce unemployment down to 4 percent or 5 percent, guess what? You save a lot of money on Medicaid. So it's because we have more poor people.

Some States have no income taxes. Well, that's their right. They don't have to if they don't want to. But then they can't come crying to the Federal Government and say, "Put more money into education by getting more students into debt."

State budgets have been cut. States are now in a race to the bottom to see who can have the least amount of taxes to attract a business or something. So they have this race to the bottom—we'll cut taxes more than that State will cut taxes—and as a consequence, education suffers. So these are just my thoughts on that.

Dr. Goldrick-Rab, you just skewered a very sacred cow. I call it edifices. So many colleges now get in this race to build a new building and name it after somebody, don't you know? And it's fancy, and when you look at the brochures from some of these colleges, it's all about all these fancy new buildings, the swimming pools, and all these sports arenas, and all that kind of stuff.

You look in vain, Mr. Senack. You look in vain in those brochures to discover what kind of student support services they have for poor kids. What do they do to make sure students get through in 4 years?

I might just mention on the bankruptcy situation that was brought up here that we had a bill in 2005. It was called the bankruptcy bill, revised bankruptcy laws and stuff. That was put in there, in that bill, that student loans were not dischargeable in bankruptcy except under very dire circumstances. That was one of the reasons I never supported it. There were other reasons, but that was one that was put in there. I don't know why, but it just was. You can discharge everything else in bankruptcy, but you can't discharge that. I thought that was very interesting.

Now, last, I want to get this—and I'm going to talk to Dr. Goldrick-Rab about this, but you can also chime in, any of you. We've seen a big move away from need-based aid to merit-based aid. Now, that sounds very nice. We're all for merit. But what it means is a lot of those people that have the merit also come from that upper quartile of income. So now the aid has shifted to that rather than students who are smart, who can go to college, but who come from poor families, but who have the need.

So I wonder if you could comment on what you see about that, Dr. Goldrick-Rab. We've heard repeatedly how important need-based aid is for low-income students, that merit-based aid does not promote college attendance. What are the obstacles we face in restoring need-based aid as a priority?

Ms. GOLDRICK-RAB. Thank you for the question, Senator, because it's a really important issue. In fact, you're correct. We are now over-awarding, essentially, students who have no financial need. We are supplying them with what I would call financial incentives—that's what I would call merit-based aid—to choose a particular institution. And we've provided the ability to do this to these institutions by covering some of the cost for the needy students with our own aid.

Often, what we see happening, particularly at private colleges, is that they will essentially use the need-based aid for the needy students and then reserve their own institutional aid, their own endowments, to put toward these merit awards. Now, what we see is that these merit awards, while they do relieve those families of having to spend on college, do not alter the choices that those families or students make in whether they go to college, whether they finish college, et cetera.

In Georgia, for example—this is a well-researched State where they have a big HOPE program. That's a famous merit-based program. The introduction of that program to the State did not cause increases in college attainment in the State as much as it benefited the car industry, because the families who had saved for college and already were able to afford it kept that merit scholarship money and spent it to buy cars for their children. That is not a good use of policy dollars.

The other thing it does is it creates a constituency of students on campus who are disproportionately wealthy. And as you were saying earlier about the edifices at the campuses, it is not the case that buildings or amenities are driving up college costs. That's not the main driver.

But what is going on is that the colleges are orienting their experiences toward these wealthier students. They are catering to their needs, and they are responding to their requests for an experience that essentially prices out the working class student. It makes it very uncomfortable for them to be on the campus because they cannot fully participate in college life.

This is the essential effect of the merit-based scholarships, where the students who are already wealthy now have even more resources to spend on things that they would like to have during college, while the other students are left with additional needs. You put these students together on a college campus, and you create a culture of haves and have-nots that eventually will drive those have-nots to think this isn't tenable anymore, and those are the ones who drop out.

The CHAIRMAN. I'm over my time, but I want to followup on that. But, first, I'll recognize Senator Alexander.

Senator ALEXANDER. Go ahead, Mr. Chairman.

The CHAIRMAN. Thank you.

I have a problem with that. When I went to college, I was a have-not. My dad had a sixth grade education. He was already over 65 and on a meager \$65 or \$70 a month social security. We had no money. We had nothing.

Fortunately, I had a scholarship. I had a Navy ROTC scholarship that paid my tuition and books. I got a \$50 check every month to cover expenses. But I didn't have any other money. We had to go

on cruises every summer, but I had to work. I'm not saying that I did all this—but I worked on Christmas break, and I worked on Easter break, and all that kind of stuff.

But we always knew that even at Iowa State University, there were haves and have-nots. There were a lot of kids who had a lot more money than I did. They came from wealthier families. They had nice cars, sports cars, and went on spring break to Florida and all that kind of stuff. We couldn't do that.

That didn't bother me. It didn't bother me, because I just recognized where I came from, and I didn't have that much. OK, fine. But I was going to go to college and maybe I'd be there sometime. Maybe I would make that.

So I don't know that I buy it that kids that are have-nots see this and it discourages them. I'm not certain about that. I think at the most would be to make sure that kids who are from have-not families have the wherewithal to go to college without having huge debts piled on their head, that have the support services. Many students who come from disadvantaged families who don't have a lot of family support—to make sure they get that kind of support when they go through college.

But I'm not certain about that idea that they get discouraged.

Ms. GOLDRICK-RAB. Let me tell you what the difference is. I've heard a lot about folks like yourself who attended college at that time. And the experience that you had was partly because, at the time, the colleges and universities were not so much catering or gearing the way in which they offered opportunities to those other students. It was more accessible to all.

What research indicates—and there's a new book out that you could look at that's based at one State university. It's called *Paying for the Party*. It's a brand new book out of Harvard University Press. And what they document is that colleges have oriented the way in which they provide services to those other students so that less is available to you.

You raised earlier this question, for example, of student services. We can't even look at the budget for student services and know what fraction of those services are essentially provided to facilitate the social life of students, right, versus the needs of students, for example, through emergency counseling, those sorts of things. The budget is not sufficiently transparent for us to be able to see that.

So what we're finding is that it's not just the case that students are individually in these situations running into conflict with each other, but that it is, in fact, partially the response of the institutions and the failure of those institutions to make it possible for everyone to have access to the things that people want to participate in. So the culture on these campuses has changed, and this has changed even at big State universities.

Let me give you just one example: the range of housing options on a given campus. If you go to the University of Wisconsin at Madison where I teach, the range of on-campus housing options, the range, is a \$7,000 difference. At one residence hall, it is \$7,000 a year more expensive than at another. This causes the segregation of students by family income on a given campus.

At other institutions that take more responsibility for this, for example, the University of Wisconsin at Green Bay, the difference

is only a couple of hundred dollars, which means that students from different backgrounds can live together.

The CHAIRMAN. Well, that's the way it was—

Ms. GOLDRICK-RAB. That is wonderful and diverse, and that is exactly what you want to have for an educational environment. You don't want family income to determine the type of college experience that one can have, because then it is also determining the chances of graduating. These are major changes from the time when you went to college.

The CHAIRMAN. I guess you're right. When I went to Iowa State—you're right. Friley Hall, the girls' dorms—that was the day when girls lived one place and guys lived in another. It was a mixture of everyone. That's true. I never thought about that. There wasn't very much of a range at all. The married students, mostly GIs, lived in Quonset huts. But that's interesting. I never thought about that.

Senator Alexander.

Senator ALEXANDER. Thanks, Mr. Chairman.

Ms. Donelson, did you have a HOPE scholarship?

Ms. DONELSON. Thank you. Yes, sir. I did.

Senator ALEXANDER. How much was that per year?

Ms. DONELSON. Per year, it's \$5,500.

Senator ALEXANDER. Did you know about that when you were in high school?

Ms. DONELSON. Yes, sir.

Senator ALEXANDER. Was that a contributor to your working hard so that you might be able to maintain a grade average to earn it?

Ms. DONELSON. Yes, sir.

Senator ALEXANDER. If you didn't have the HOPE scholarship, could you have gone to David Lipscomb?

Ms. DONELSON. Honestly, I probably would not have been able to go to Lipscomb. But I did—like I said, I was very close to my guidance counselor, and she aimed at—"Derrica, you need to make sure you have a high score. You need to make sure you keep these grades so you can qualify for it."

Senator ALEXANDER. What grades did you have to have in order to earn the HOPE scholarship?

Ms. DONELSON. They based mine off of my ACT score, which at that time was 21 and above. I don't remember if they—I don't know if they changed it or not. And I maintained a grade point average over a 3.0. I would really say I maintained at least a 3.2 or above at Lipscomb.

Senator ALEXANDER. I have a little different view than the chairman. Most of our Federal aid is based upon need. I mean, I like our system of Federal higher education support. Half our students have a grant or loan to help pay for college. The amount of the Pell grant, as Ms. Brooks pointed out—not quite in her case, but the amount of the Pell grant average, \$3,600, is \$500 more than the average cost of attending a community college.

So you can take a Pell grant and you can go to college if those averages are about right, because, typically, you would—of course, you have your living expenses. But in community colleges, typi-

cally, you don't have dormitories. Do you have dormitories at Bowie State?

Ms. BROOKS. Yes.

Senator ALEXANDER. You do. Most of ours in Tennessee do not. And so I like the system, and I think infusing incentives and rewards and merit within a system of higher education is just fine. If we have 6,000 institutions of higher education of all types in America, they're going to have many different types of programs.

I mean, I had merit scholarships all the way through, although I came from a family without much money, even into law school. And the idea of going—I went to NYU as well, which is the graduate—the law school, and what they were trying to do was achieve a diversity at NYU law school. They wanted some hillbillies at the law school instead of people from the Bronx.

They had all these bright kids from New York City, and they were trying to achieve some diversity in the law school at the time. So that was their independent autonomous goal, and they had a merit scholarship, and I took advantage of it.

Mr. Chairman, there's one thing that has come up here that has come up at other hearings—Dr. Goldrick-Rab mentioned it—and that's simplicity. I love the phrase, text-heavy. I'm going to remember that, because so much of what we read is text-heavy around here. And having been the Secretary of Education, what really tends to happen is that well-meaning regulations just pile up. That happens in every department. But that's something that we may be able to agree on here.

We might not agree on Medicaid. My view of that is that every State participates in the Medicaid program, and once you participate in it, you're stuck if you're a Governor. But we'll debate that some other time.

Something we might be able to work on—and you and I have talked about it. We've got this informal alliance of Mikulski and Bennet, Democrats, and Burr and me, who are interested in this—as we move into the Higher Education reauthorization, maybe we could think about, for example, in this area of simplifying student forms, financial regulations, really finding out what the existing regulations are.

Now, sometimes our colleagues come up with ideas that say, "Well, if you add one, you've got to get rid of one." I don't really like that so much because that's too wooden in its approach. But I do think it's useful if we're going to approach the whole area of financial aid for higher education, and it might be a good idea to ask the staff to just bring us all the regulations that exist and let's get some advice from students and faculty members and say, "Does this make any sense?"

We might have broad agreement on that here. I mean, Senator Warren and I have used this example before. This is a committee where we go from the right to the left probably in more of a spectrum than any other committee in the Senate. But when she was in the Consumer Bureau, she had a competition for a 1-page mortgage application. I think that's a really smart idea. Anybody who has refinanced their home over the last year or two knows how much nonsense is in several pages. You can't tell anything about

it. You just sign the bottom line as the lender loans it to you, and you're not really protected.

So what I'm suggesting is maybe we can find a way over a period of time to focus on regulations that cost money, that take time, that don't really protect the students they're intended to protect. And if they save money, that money could be put toward keeping tuition from going up quite so rapidly or raising faculty salaries or whatever it needed to do. And I'm certainly willing to spend time on that so that when we reauthorize the next higher education bill, we don't add to the stack of regulations. Perhaps we could reduce the stack of regulations and do so by writing what we mean to say in language that isn't text heavy.

That's just a suggestion I make to the chairman, and I appreciate the conversations we've had on that before. I thank the witnesses for their very helpful testimony today.

The CHAIRMAN. I also want to join in thanking you all.

One last thing I just wanted to say, Senator Alexander, is that we talked about financial literacy. We're working on an Elementary and Secondary Education Act. For what it's worth, I just think that if you wait until you get to college to imbue kids with financial literacy, it's too late.

So we're working on changing from the No Child Left Behind constrictions to more of what we call college- and career-ready regime. So what do you need to be college- and career-ready when you get out of secondary schools and back that down to what do you need to know in 12th, 11th, 10th, middle school, and elementary school.

It seems to me that one of the things you need to have to be ready for college or career is financial literacy. So, hopefully, somehow we've got to put that in an ESEA bill—so that's part of a regime that kids will be expected to know if they're going to be college- and career-ready, they have to know how to balance the checkbook, what compound interest is, how debt accumulates, and how interest rates also accumulate, and what it means when you pay the minimum amount on your credit card bill and what that means in terms of debt accumulation—just simple kinds of things like that. It seems to me that needs to be a part of our Elementary and Secondary Education Act bill.

Any of you who are listening to us up here—do you have any further thoughts or suggestions or comments before I gavel it to a close?

If not, again, I thank you all very much. I thought it was a very good discussion. And, believe me, this is something that Senator Alexander and I think all members of this committee take very seriously, which is how we're going to do a higher education bill next year—simplification, looking at need-based programs, debt loads of students. This is all something we have to address in that Higher Education Act bill next year. You've been very helpful in prodding our thinking on it. So thank you very much.

The committee will stand adjourned. We'll leave the record open for 10 days, until April 30th, for any other statements or comments or questions. The hearing will be adjourned. Thank you all very much.

[Additional material follows.]

ADDITIONAL MATERIAL

RESPONSE TO QUESTION OF SENATOR BENNET BY SARA GOLDRICK-RAB
AND VIVICA BROOKS

SARA GOLDRICK-RAB

Question. What kind of information is most useful to students when making decisions about whether to attend a particular school? I have received letters from students that feel they did not have the information they needed when they made the decision to attend certain programs. Do you have examples of States, institutions or particular programs that have successfully given students the range of information they need to make informed decisions about their education?

Answer. Unfortunately, there is little research evidence on effective practices in this area—whether to attend a *particular school*. Most efforts are aimed at helping students decide to apply to college at all, how to finance it, and sometimes where to apply. Fewer programs focus on the choice to attend a given school, after applying and being accepted. In addition, while there are many programs that provide information to prospective college students, very few have been evaluated for evidence of “success.” Given those caveats, here is some evidence that might be useful:

1. Concern about the match between a student’s academic qualifications and his/her college choice is rising due to recent evidence from several studies indicating that sizable fractions of high-achieving low-income students aren’t applying to or attending selective colleges and universities.¹ The most promising evidence for a program aimed at improving college match comes from the **Expanding College Opportunities Comprehensive Intervention** developed by Caroline Hoxby and Sarah Turner as part of an IES-funded experimental study.² The ECO is low-cost and administered through mailing a packet of information including application strategies, fee waivers, information about net costs and graduation rates, and a personalized letter of introduction. The results indicate that this causes students to apply to and enroll in colleges and universities with higher graduation rates, greater instructional resources, and curriculum that is more geared toward students with very strong preparation like their own. The College Board is currently working to implement this approach nationwide.

2. Another approach to providing information to high-achieving, low-income students involves **college coaching**. In a study in Boston, Christopher Avery and his colleagues provided 10 hours of individualized college advising from an experienced counselor normally employed in full-time college counseling at a high school with a critical mass of high achievers. The estimated impacts on college application and enrollment behaviors were quite small and the costs were substantial.³ However, there are many other studies of college coaching underway, and some, especially those focused on coaching that occurs the summer prior to college, are promising.⁴

3. Providing students and families with information about **institutional graduation rates** has not yet been shown to affect college decisions. One experimental study in this area estimated impacts on families’ *hypothetical* choices but the authors did not observe actual decisionmaking.⁵

¹See in particular: Bowen, William G., Matthew M. Chingos, and Michael S. McPherson. 2009. *Crossing the Finish Line: Completing College at America’s Public Universities*. Princeton, NJ: Princeton University Press; Hoxby, Caroline and Avery, Christopher. 2013. “The Missing ‘One-Offs’: The Hidden Supply of High-Achieving, Low Income Students.” Brookings Institution, Washington, DC; Roderick, Melissa, Jenny Nagaoka, Vanessa Coca, and Eliza Moeller. 2008. *From High School to the Future: Potholes on the Road to College*. Chicago: Consortium on Chicago School Research.

²Hoxby, Caroline and Sarah Turner. 2013. *Expanding College Opportunities for High-Achieving, Low Income Students*. Stanford University. <http://siepr.stanford.edu/?q=/system/files/shared/pubs/papers/12-014paper.pdf>.

³Avery, Christopher. 2010. “The Effects of College Counseling on High-achieving, Low-income Students,” NBER Working Paper 16359.

⁴Castleman, Benjamin and Lindsay Page. 2012. “The Forgotten Summer: Does the Offer of College Counseling the Summer After High School Mitigate Attrition Among College-Intending Low-Income High School Graduates?” Harvard Graduate School of Education manuscript. http://scholar.harvard.edu/files/bencastleman/files/castleman_page_schooley_-_tfs_-_011713.pdf.

⁵Schneider, Mark, and Eric Bettinger. 2011. *Filling in the Blanks*. American Enterprise Institute. <http://www.aei.org/papers/education/k-12/filling-in-the-blanks/>.

4. Sharing **information about the financial aid application** (FAFSA) was shown to be far less useful for decisionmaking when compared to **filling out and filing the form on behalf of families.**⁶

5. Finally, I also recommend this What Works Clearinghouse practice guide on what high schools can do to help students make better college choices.⁷

VIVICA BROOKS

Question. What kind of information is most useful to students when making decisions about whether to attend a particular school? I have received letters from students that feel they did not have the information they needed when they made the decision to attend certain programs. Do you have examples of States, institutions or particular programs that have successfully given students the range of information they need to make informed decisions about their education?

Answer. Greetings Senator Bennet, thank you for the question. From my personal experience (prior to selecting Bowie State University as my school of choice) I conducted an extensive amount of research of several different institutions and programs such as, the University of MD, College Park and Federal Student Aid opportunities. When narrowing my choices I found that first, the accessibility of the information (meaning it was simplest to find) was the most useful information; the tuition costs and financial aid options such as payment plans and school-based funding (i.e. work study, residential assistant programs). This information helped me to analyze my finances and make solid decisions based on what I could afford.

If there was more information made available about programming that assists with the acquisition of books and/or room and board I would have made further considerations about the school's affordability. I'd also like to note that while there are several programs offered to students, the fine print associated with the program is not always easiest to understand. For example, in my personal experience with subsidized loans, it provided me with financial assistance for 3 consecutive school years, however, I've reached my loan limit; a limit that I wasn't even aware existed. Had the information been made clearer to me prior to acceptance of the loans, I would have made some alternative decisions as to how many loans I'd accept. While this may be a negative, the positive is that I have now researched additional programming and understand both the benefits and the terms/conditions. For instance, I am a recipient of MD State Financial Aid; the program has made accessing information and understanding my responsibilities as a recipient very clear. Also, the program contacts me directly with updates on the status of my aid, and also offers assistance for any question(s) I may have. This program is an example of a successful means of helping a student who needs to make informed decisions about selecting aid and when selecting schools for consideration.

Thank you for the opportunity to answer your question. If you have any more questions, I'd be happy to answer them.

Best Regards,

VIVICA BROOKS,
Bowie State University, Senior.

[Whereupon, at 11:48 a.m., the hearing was adjourned.]

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⁶Bettinger, Eric, Bridget Long, Phillip Oreopoulos, and Lisa Sanbonmatsu. 2009. "The Role of Information and Simplification in College Decisions: Results from the FAFSA Experiment." Unpublished manuscript.

⁷<http://ies.ed.gov/ncee/wwc/PracticeGuide.aspx?sid=11>.