



REMOVING BARRIERS AND EXPANDING OPPORTUNITY:

**NASFAA HIGHER EDUCATION ACT
REAUTHORIZATION PRIORITIES**

Today's federal student financial aid system works for some, but it doesn't work for all. Over the last decade, higher education has seen major changes, including more innovative learning models, diversity in delivery of instruction, shifting demographics, and piecemeal congressional and executive actions. The COVID-19 pandemic also forced higher education institutions and students into rapid change, in many cases accelerating ideas and innovation that may previously have taken years to occur, into only several months. For all of these reasons, it's prudent, and also well overdue, for Congress to update the law that governs higher education to ensure it meets the needs of today's students.

The last comprehensive reauthorization of the Higher Education Act (HEA) occurred in 2008, and the law has been overdue for another reauthorization for nearly a decade. The National Association of Student Financial Aid Administrators (NASFAA) has worked on reauthorization for nearly a decade. Beginning with the original 2013 Reauthorization Task Force (RTF) report — and followed by updates in 2016 and 2019 — NASFAA's HEA recommendations reflect the work of more than 15 member-led policy development task forces.

Since NASFAA last updated its recommendations in 2019, two pieces of legislation have been signed into law that will bring much-needed improvement to students and the federal student aid system as a whole. Signed into law in December 2019, the [Fostering Undergraduate Talent by Unlocking Resources for Education \(FUTURE\) Act](#) allows for direct data-sharing between the Internal Revenue Service (IRS) and the Department of Education (ED), in turn simplifying the financial aid application and student loan repayment processes for millions of students. Building off the FUTURE Act, the [FAFSA Simplification Act](#), signed into law in December 2020 as part of the [Consolidated Appropriations Act of 2021](#), simplifies the aid application process for all students by eliminating irrelevant and unnecessary questions from the Free Application for Federal Student Aid (FAFSA), changing the Federal Methodology formula to be more equitable, and making Pell Grant eligibility more predictable for the neediest students.

Although there has yet to be a comprehensive bipartisan proposal introduced in either congressional chamber, the cooperation that led to the passage of the FUTURE Act and FAFSA Simplification Act is a promising reminder that there are policy proposals with strong bipartisan support. Policymakers on both sides of the aisle have demonstrated a common goal of improving postsecondary access and success for our nation's students, and these areas of shared agreement can serve as the foundation for a comprehensive reauthorization of the HEA.

As Congress inches closer to taking a wholesale look at the federal role in higher education, NASFAA is pleased to share its updated reauthorization recommendations. Below, we offer our top priorities, organized by topic, to modernize the HEA so that it meets the needs of today's students and institutions. Please visit https://www.nasfaa.org/hea_priorities to view NASFAA's complete list of HEA recommendations.

Strengthening Need-Based Aid

NASFAA strongly supports the primacy of need-based aid: the idea that a qualified student should not be denied a higher education because of a lack of financial resources. The rising cost of college, coupled with state disinvestment, limited federal aid dollars, and the impact of the COVID-19 pandemic, have increasingly placed a strain on many students and families attempting to pursue higher education today. As costs rise, many low- and middle-income students face a difficult dilemma: do they choose to put everything on the line and pursue a postsecondary credential, or do they enter the workforce directly after high school so they can provide for themselves and for their families? Existing need-based federal student aid programs play an important role in college access and success.

Federal Pell Grants

The Federal Pell Grant program remains the foundational federal student aid program. Without it, thousands of students every year would miss out on the benefits of a college education. The program has benefited tremendously from small changes over the years, including the now-expired addition of a mandatory inflation-adjusted add-on to the maximum award, and the expansion to allow students to pursue their education year-round. But there's more to be done to improve the program designed for the nation's neediest students.

Double the maximum Pell Grant. Despite the increased attention to the importance of college affordability, today's Pell Grant maximum award remains at a level similar to fiscal year (FY) 1978 when adjusting for inflation.¹ The 2020-21 maximum Pell Grant covers only 26% of the average cost of tuition, fees, room and board at a public four-year institution, while it covered more than three-quarters in 1975.² The time has come for Congress to make a substantial investment in the program by doubling the maximum Pell Grant, a proposal that is enthusiastically supported by many in the higher education community. The current maximum is increasingly insufficient to move the needle on college access, leaving low-income students to borrow high amounts or, worse yet, not attend postsecondary education at all. Doubling the maximum Pell Grant will provide myriad benefits not only to our nation's lowest-income students, but also to the federal government and broader society. Students who persist in higher education are more likely to be employed, tax-paying, productive members of society.³

Reinstate the Pell Grant's automatic inflation adjustment. In addition to doubling the maximum Pell Grant, Congress should reinstate an automatic inflation adjustment to the maximum award. From FY 2014 to FY 2017, the Pell Grant maximum award was indexed to the Consumer Price Index for All Urban Consumers (CPI-U); however, that small boost, which averaged only \$69 per year, expired at the end of FY 2017. Once the maximum Pell Grant has been doubled, indexing the maximum award to inflation will deliver the sustained and certain annual increases needed to ensure the grant maintains its purchasing power. These predictable, set increases to the maximum award will also assist financial aid offices, and students and families, in determining a student's ability to pursue higher education.

Shift the Federal Pell Grant program to full mandatory funding. The Pell Grant program already functions like an entitlement, in that a student who meets eligibility criteria receives a Pell Grant at their applicable award amount, regardless of whether sufficient levels of funding have been appropriated. The annual federal budget and appropriations process adds unnecessary uncertainty to a program that plays a vital role in the lives of thousands of students every year. Pell Grants should be protected from the annual appropriations process by moving the funding stream from the discretionary year-to-year allocation to complete mandatory funding.

Extend Pell Grant eligibility to Deferred Action for Childhood Arrivals recipients. While 54% of the U.S. population between ages 15 and 32 has some college experience, just 36% of those eligible for Deferred Action for Childhood Arrivals (DACA) in the same age range are either enrolled in college, have completed some college, or have earned a bachelor's degree.⁴ NASFAA applauds the Biden administration's commitment to supporting DACA and its recipients, particularly including a provision in its FY 2022 discretionary budget proposal to make DACA recipients Pell eligible, as well as the 2019 College Affordability Act's expansion of Pell Grant eligibility to DACA recipients. Providing access to Pell Grants is a critical step in providing this population with access to affordable higher education opportunities.

¹ "Trends in Student Aid, 2019" The College Board

² https://www.nasfaa.org/uploads/documents/Issue_Brief_Double_Pell.pdf

³ <https://research.collegeboard.org/pdf/education-pays-2019-full-report.pdf>

⁴ <https://www.migrationpolicy.org/research/education-and-work-profiles-daca-population>

Authorize a demonstration project to permit Pell Grant funding for enrollment in short-term programs.

Today's students and employers need and demand shorter-term credentials to either complement or replace traditional degree programs. Modern careers require lifelong learning to advance in their roles, or in some cases to even keep up with the changing demands of their existing roles. Allowing Pell Grants for short-term programs, with appropriate protections in place to protect taxpayer dollars, could allow for smaller bursts of learning throughout an individual's career. NASFAA conducted a national landscape analysis of existing short-term programs and found that outcomes data such as earnings,⁵ employment in field of study, and success on certification exams, is lacking, partly because there is no national source of short-term program data. While the Department of Education (ED) recently concluded a short-term Pell project using its authority under the Experimental Sites Initiative, it also did not provide the full picture of data that would either support or discourage expanding Pell grant eligibility to short-term programs.⁶ Congress should authorize a demonstration project to explore this expansion, and should require a comprehensive study of student outcomes.

Create a Pell Grant supplement and allow aid to exceed Cost of Attendance for negative Student Aid Index. The [Coronavirus Response and Relief Supplemental Appropriations Act, 2021 \(CRRSAA\)](#) renames the "Expected Family Contribution" (EFC) to the "Student Aid Index" (SAI). It makes several significant changes to the Federal Methodology (FM) formula, including permitting the end result of the FM calculation to be as low as negative \$1,500 ("negative SAI"). This will help institutions distinguish among their neediest students, but institutions can best acknowledge those students' exceptional need if aid packages can exceed the cost of attendance (COA) by the amount the SAI falls below zero. Right now, total aid packages cannot be higher than the COA.

- Pell Grant: NASFAA recommends that applicants with a negative SAI receive a Pell Grant supplement in the amount of the negative number. For example, if an applicant had an SAI of -\$1,400, they would receive the maximum Pell Grant, plus an additional \$1,400.
- Institutional Authority: NASFAA recommends that, for applicants with a negative SAI, institutions be given the authority to:
 - Award aid in excess of COA up to the amount of the negative SAI; and/or
 - Apply an overaward tolerance in the amount of the negative SAI.

NASFAA recommends that institutions be given the option to implement a policy that applies to all applicants with negative SAIs, to categories of students that do not discriminate against protected classes, or on a case-by-case basis.

Campus-Based Aid Programs

The Federal Campus-Based Aid programs include the Federal Supplemental Educational Opportunity Grant (FSEOG) program and the Federal Work-Study (FWS) program. These programs require an institutional match of federal funds and are administered at the institutional level. FSEOG provides additional grant aid to low-income undergraduate students, often on top of a Pell Grant award. FWS provides aid to both undergraduate and graduate/professional students with need in the form of wages from on- or off-campus employment. The Federal Perkins Loan program provided loans out of institutionally-based revolving funds to needy students, but expired in 2017.

Revise the campus-based aid allocation formula. Due to the antiquated design of the funding formula, today's allocation of campus-based aid largely reflects a 40-year-old distribution of funds, in which institutions receive a "base guarantee" of funding. Currently based on FY 1999 expenditures, the base guarantee was intended to be a temporary measure to mitigate losses to individual institutions as a result of radical fluctuations in funding. Due to the static nature of the formula, for most schools, the prior year expenditure is linked to its program participation in the 1970s. Growing schools that are serving needier student populations cannot increase their funding because other institutions' funding levels are largely protected, regardless of institutional need. NASFAA recommends phasing out the base guarantee portion of the allocation formula over 10 years; thus, allocations would be based only on a "fair share" formula.⁷

⁵ https://www.nasfaa.org/uploads/documents/Analysis_Existing_Short-Term_Postsecondary_Programs.pdf

⁶ <https://www.newamerica.org/education-policy/edcentral/short-term-pell-evaluation-report-leaves-policy-makers-and-observers-shrugging/>

⁷ "NASFAA Task Force Report: The Campus-Based Formula," NASFAA, June 2014, (https://www.nasfaa.org/The_Campus_Based_Aid_Allocation_Formula_Task_Force_Report).

Bolster investment in the campus-based aid programs. The campus-based aid programs play a critical role in helping students access and succeed in postsecondary education. FSEOG directs additional grant dollars towards students with exceptional financial need, and work-study supports needy students while also providing valuable work experience. Despite their proven positive impacts, federal support for both programs has remained relatively flat over the last decade, with annual FWS appropriations still hovering around FY 2001 levels,⁸ and average FSEOG award amounts declining by 40% since award year (AY) 2001-02, in constant dollars.⁹ FSEOG and FWS represent a worthy use of federal dollars, as the programs require contributions from institutions to leverage federal support — an existing and effective form of institutional risk-sharing. In a period of financial austerity, the campus-based aid programs stretch the federal dollar further in support of the neediest students. Congress should ensure the programs receive the consistent annual funding increases needed to expand their impact to our nation’s lowest-income students.

Increase awarding flexibility in FSEOG. Currently, FSEOG must be awarded first to students with exceptional need, with priority given to Pell Grant recipients. The law defines “students with exceptional need” as students with the lowest EFCs at the institution. Congress should retain the tie between the FSEOG and Pell Grant programs, but NASFAA supports prioritizing FSEOG awards to students whose EFCs fall into the Pell eligibility range, rather than the student’s actual receipt of a Pell Grant. Effective July 1, 2012, Congress imposed a lifetime eligibility limit of six scheduled awards for Pell Grant recipients. Due to the very limited nature of FSEOG funding, the requirement that FSEOG be awarded first to Pell Grant recipients effectively causes a loss of FSEOG funding once a student reaches his or her Pell lifetime eligibility used (LEU) limit. In addition, the “lowest EFC” order of awarding should be eliminated. Students whose EFCs would enable them to receive Pell Grants are, in fact, the neediest students. Further defining an order within that range seems unnecessarily redundant. Schools should be able to establish their own packaging policies within the EFC eligibility range to best support their students with need.

Improve and Simplify the Federal Financial Aid Application Process & Enhance Student Aid Delivery

Simplifying the Aid Application Process

NASFAA has long been interested in ways to simplify the Free Application for Federal Student Aid (FAFSA) and make the overall aid application process simpler and more efficient for students and families. NASFAA has offered recommendations to simplify the form and has been generally pleased by the improvements over the past several years, including “smarter” skip-logic on the form and the implementation of the IRS Data Retrieval Tool (DRT), and the passage of the 2019 Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act, which allows for direct data sharing between the Department of Education (ED) and the Internal Revenue Service (IRS). The use of more information obtained directly from the IRS, as authorized by the FUTURE Act, will allow for a simpler application and reduced burden for applicants, while still retaining a high standard of accuracy. Expanded data sharing will also simplify the process of verification, as well as income-driven repayment application and recertification. Most recently, the fiscal year (FY) 2021 omnibus signed into law in December 2020 included FAFSA simplification legislation that will simplify the federal student aid application process by eliminating unnecessary FAFSA questions, modify the eligibility formula to be more equitable and expand Pell Grant eligibility, and allow students to better predict their Pell Grant eligibility. Although these recent changes will deliver much-needed simplification to the aid application process, there is still progress to be made.

Ensure smooth implementation of the FUTURE Act and FY 2021 omnibus FAFSA simplification provisions. Once implemented, the FUTURE Act data-sharing provisions and the FAFSA simplification provisions included in the FY 2021 omnibus will work in tandem to provide students with a simpler, more streamlined aid application process. To ensure these changes result in the positive change they were designed to deliver, Congress should ensure that ED executes a smooth implementation that offers ample opportunities for stakeholder feedback and encourages meaningful collaboration among federal agencies and the financial aid community. A successful implementation should also allow sufficient time for institutions to make necessary adjustments to their own processes, prioritize clear communication, and conduct proactive outreach to students and families. Ensuring appropriate oversight, as well as providing ED with the resources required to put these important provisions into effect, are both critical to ensuring a smooth and timely implementation.

⁸ Ibid

⁹ “Campus-Based Student Financial Aid Programs Under the Higher Education Act,” Congressional Research Service.

Codify prior-prior year and the October 1 release of the FAFSA. In October 2015, President Barack Obama and the ED announced their intention to use their authority under the HEA to use income information from two years' prior — the prior-prior year (PPY) — for the purpose of need analysis. The change, supported by NASFAA, allowed the FAFSA to be available starting October 1, instead of January 1. The shift to using PPY data and the October 1 release of the FAFSA represent first steps in simplifying the federal aid application process; however, to solidify this progress, Congress should codify the change into statute. In addition, Congress should revise the Master Calendar in the HEA to ensure institutions have the information necessary for administering the aid programs early enough to fully realize the promise of PPY by requiring ED to release Pell Grant disbursement schedules by November 1.

Ensure smooth implementation of Pell Grant eligibility restoration for incarcerated students. The Consolidated Appropriations Act, 2021 restored Pell Grant eligibility for incarcerated students, a step that will expand postsecondary access to millions of students whose Pell eligibility was restricted by the 1994 Violent Crime Control and Law Enforcement Act. Now that eligibility has been restored, Congress should work with ED to ensure a smooth implementation that addresses the unique challenges experienced by incarcerated students navigating the financial aid application process, and ensure this student population is provided with high-quality education programs. The implementation effort should prioritize eliminating barriers frequently experienced by incarcerated students throughout the FAFSA completion process, including limited access to personal records and difficulty resolving defaulted loans.

Increase transparency and repeal ED's authority to regulate Cost of Attendance. The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) makes two significant changes to the Cost of Attendance (COA). First, it permits the Secretary of Education to regulate all components of the COA, except tuition and fees. Second, it prescribes more specificity for how several existing COA components can be determined by institutions. As it relates to the CRRSAA modifications, NASFAA recommends the following:

- Repeal ED's authority to regulate COA components: NASFAA understands the importance of transparency and consistency as it relates to COA, but has concerns about ED regulating in an area that has historically been institutional purview.
- In place of giving ED authority to regulate COA, add institutional requirements that increase transparency about how COAs are developed:
 - Require institutions to disclose their COA methodology: In order to ensure full transparency, institutions should be required to disclose their COA methodology for each component (or a link to it) wherever their COA is disclosed. This will allow students and families, peer institutions, and the federal government to fully understand how the COA is derived.
 - Require institutions to update the dollar amounts for each COA component per their disclosed methodology on a reasonable, set schedule. Some methodologies used by schools are time-intensive, so institutions should have the ability to set a rotating schedule, updating different components each year, as opposed to each component each year.
- Repeal the requirement that the cost of professional licensure be included in the COA for all students in programs that lead to licensure, and instead require this cost to be included in the COA only upon student request. Require that institutions conduct outreach to students enrolled in programs that require professional licensure about the ability to include related costs in the COA. Upon request of an affected student, the institution must include the one-time cost of obtaining the first professional licensure to the student's COA. By mandating the inclusion of these costs in the COA for affected students who request it, this approach ensures that students who need to borrow to cover such costs have the ability to do so. Requiring that the COA be increased by these costs for all students in a program requiring professional licensure, certification, or a first professional credential, as required by CRRSAA, may inadvertently lead to unnecessary borrowing by some students.
- Allow institutions to include average loan fees in the COA, rather than the actual cost charged to each student. Use of average loan fees, which is permissible under current law, allows institutions to avoid making changes to a student's COA, often amounting to only a few dollars, every time a student's loan amount changes. Changes to loan amounts are common when the student's level of need increases or decreases due to changes on the FAFSA, COA, or the student's other aid.

Enhancing Student Aid Delivery

Federal mandates and requirements, though often justified on their own, have combined to place serious regulatory strain in terms of both time and money on colleges and universities nationwide. Sometimes minor changes to the federal student aid programs in statute lead to burdensome implementation when the regulations are released. Though compliance with federal regulations remains a top priority for financial aid administrators, many would prefer to spend the time now allocated to compliance on counseling students and families. Finding a balance between federal objectives and unnecessary burden should guide policymakers on this issue moving forward. NASFAA supports the recommendations of the bipartisan Task Force on Federal Regulation of Higher Education.¹⁰

Improve the operational efficiency of ED's Office of Federal Student Aid. Tasked with implementing the federal student aid programs, FSA was structured as a performance-based organization (PBO) in 1998 with expanded administrative autonomy in exchange for increased oversight and accountability. In the time since the designation of FSA as a PBO, little oversight of the agency has occurred, and financial aid administrators feel that FSA acts more as a watchdog than as a partner in the administration of the student aid programs.¹¹ We urge Congress to prioritize accountability and oversight of FSA, particularly in meeting basic customer service objectives in its interaction with schools, such as by requiring FSA to provide the final report for a program review within 60 days after receipt of an institution's response. NASFAA also suggests increasing the involvement of stakeholders in the FSA strategic planning process, introducing additional performance metrics, and establishing an FSA Oversight Board.¹²

Simplify the return of Title IV funds (R2T4) calculations and process for withdrawing students. When a student with federal student aid withdraws from college before completing a term, an institution is obligated to calculate the amount of aid the student earned and possibly return those dollars to the federal government; however, the process is entirely too complex and burdensome for institutions to execute. The rules and regulations surrounding the R2T4 process amass more than 200 paragraphs of regulatory text and over 200 pages in the *Federal Student Aid Handbook*. In response to requests for input on regulatory relief, financial aid administrators mentioned R2T4 more than twice as often as any other topic area.¹³ While NASFAA has several recommendations to improve the process, Congress and ED should consider eliminating the requirement altogether, devising a new set of rules (perhaps through a dedicated negotiated rulemaking session), or fixing the current process.¹⁴

Promoting Opportunity Through Education

The federal student aid programs provide an opportunity for students to improve their lives regardless of financial circumstances. Over time, certain barriers have limited the ability of the student aid programs to fully support low-income and first-generation students. Making several modifications can have important implications for students, communities, and the nation.

Restore full "ability-to-benefit" access. For many decades, a student without a high school diploma or GED could receive federal student aid if he or she demonstrated the "ability to benefit" from postsecondary education through various means. The ability-to-benefit provisions were eliminated for budgetary reasons in 2012, in most cases forcing a student to first get a GED before enrolling in a postsecondary degree or certificate program. This prolongs the time to completion and may impact a student's ability to obtain a well-paying job and support his or her family. The Consolidated Appropriations Act of 2016 restored ability-to-benefit provisions, but only for students in eligible career pathways programs, a small minority of students who could benefit from these provisions. Students without a high school diploma or its recognized equivalent, who were not home-schooled, should be allowed to meet the general student eligibility requirement concerning academic credentials by completing, with the equivalent of a grade of C or better, at least six credit hours of college coursework (or the equivalent) that is applicable toward a degree or certificate.

¹⁰ "Recalibrating Regulation of Colleges and Universities: Report of the Task Force on Federal Regulation in Higher Education," ACE, February 2015, (<https://www.acenet.edu/news-room/Documents/Higher-Education-Regulations-Task-Force-Report.pdf>).

¹¹ "NASFAA Testifies Before Congress on Financial Aid Administrators' Experiences with FSA," NASFAA, November 2015, (<https://www.nasfaa.org/fsa-testimony>).

¹² "Improving Oversight and Transparency at the U.S. Department of Education's Office of Federal Student Aid: NASFAA Recommendations," NASFAA, May 2017, (https://www.nasfaa.org/uploads/documents/NASFAA_FSA_Report.pdf).

¹³ NASFAA letter to ED on regulatory relief solicitation, September 2017, (<https://www.nasfaa.org/uploads/documents/ResponseToEDSolicitationof6-22-17.pdf>).

¹⁴ "Return of Title IV Funds Task Force: Report to the Board," NASFAA, July 2015, (https://www.nasfaa.org/Return_of_Title_IV_Funds_Task_Force_Report_to_the_NASFAA_Board).

Consider the impacts of poorly-designed accountability proposals on low-income students and under-resourced institutions. While policymakers continue to emphasize the need for additional “skin-in-the-game” for institutions, schools already take on significant risk when dedicating scarce resources to students who have been deemed at-risk. Institutions admit at-risk students and provide remediation for students who need extra investment to benefit from higher education. In addition, colleges and universities provide — whenever possible — generous grant aid and participate in the campus-based aid programs, which entail risk-sharing in the form of institutional contributions and administrative expenses.

A poorly-designed risk-sharing model could end up hurting the same students the HEA is designed to support. Institutions have a vested interest in the success of their graduates, but to tie an institution to the repayment behavior of its former students can be problematic. For example, open-access institutions such as community colleges, which have little control over their student bodies and their levels of preparation for higher education, may choose not to participate in the federal loan programs because high cohort default rates (CDR) can put institutions at risk for losing all federal student aid funding, which could result in reduced access for students and/or a greater reliance on private borrowing where consumer protections are inconsistent. Policymakers should take caution to avoid unintended consequences and perverse incentives for institutions that could incentivize serving fewer at-risk students than more. Instead, Congress should attempt to work within existing institutional risk-sharing parameters or consider “carrot” versus “stick” approaches to accountability if developing new models.¹⁵

Curbing Excessive Student Indebtedness

While media depictions of the nation’s “student debt crisis” center on graduates of elite institutions with six-figure debt loads, borrowers with small amounts of debt without a college degree reflect the real student debt crisis today. Pursuing higher education while amassing some student debt is an important and responsible investment because the consequences of not pursuing a degree or credential can be devastating.

Eliminate student loan origination fees. Deemed the “student loan tax,”¹⁶ loan origination fees are a relic of the 1980s, when additional revenue was necessary to offset loan subsidies in the now-defunct Federal Family Education Loan Program (FFELP). Though FFELP no longer exists, origination fees remain. Origination fees withhold a portion of a student’s proceeds while still requiring repayment with accrued interest of the full loan amount before the deduction of fees, thereby masking the borrower’s true loan cost and adding unnecessary confusion. Under sequestration, loan fees are increased based on an annual adjustment percentage determined by the Office of Management and Budget (OMB). Though origination fees serve as a revenue generator for the federal government, the federal budget should not be balanced on the backs of students and families. The average undergraduate borrower in a four-year program will pay an estimated \$239 in origination fees and associated interest if enrolled in a standard 10-year repayment plan, while the average graduate student in a two-year program pays about \$1,334 in fees and interest on those fees if repaying over 10 years.¹⁷

¹⁵ NASFAA letter to Sen. Alexander on accountability, February 2018, (https://www.nasfaa.org/uploads/documents/NASFAAHELPAccountabilityComments_2151.pdf).

¹⁶ “End the Student Loan Tax,” *The Hill*, by Rep. Susan Davis and Justin Draeger, Oct. 20, 2014.

¹⁷ “Issue Brief: Origination Fees,” NASFAA, April 2021, (https://www.nasfaa.org/issue_brief_origination_fees).

Provide financial aid offices with more tools to curb student indebtedness. As it stands now, institutions have little control over the borrowing behavior of their students, even though they are held responsible for their cohort default rates (CDR). Financial aid administrators want to be good stewards of federal funds, but more importantly, they want to ensure their students avoid accruing unnecessary or excessive debt and are able to repay their loans. Because of the entitlement nature of the Direct Loan program, a school cannot impose across-the-board restrictions on borrowing institution-wide, or even by program, enrollment status, dependency status, or any other parameters.¹⁸ On a case-by-case basis a school can deny a loan to a student, but financial aid offices are reluctant to exercise this authority to deny or restrict borrowing because they may be subject to legal action. Congress should allow schools to set lower loan limits for specific populations based on academic program, dependency status, living arrangement, credential levels, enrollment status, or other categories established by the school, and allow aid administrators to increase a particular student's loan from the school's imposed limit, up to the regular applicable statutory limit, on a case-by-case basis under professional judgment. This authority would provide aid administrators with a tool to help students avoid incurring unnecessary debt and reaching aggregate loan limits before the program of study is completed, and protects students and taxpayers alike by allowing institutions to measure outcomes and adjust loan limits to levels appropriate to those outcomes.

Furthermore, institutions do not even have the authority to require additional loan counseling or documentation supporting a request for loan funds. To ensure students are well-educated about their borrowing and future repayment obligation, Congress should provide institutions with the authority to mandate additional counseling for students borrowing federal student loans, if the school believes their student population would benefit from additional counseling. Providing this authority will allow institutions to tailor counseling requirements to meet the unique characteristics of their students, rather than having to comply with a one-size-fits-all annual counseling requirement that would result from a federal mandate.

Modify the current structure of loan limits. The current structure of annual and aggregate loan limits for Direct Loans reflects piecemeal changes to the loan programs over time and does not necessarily work effectively or efficiently for today's students. Ideas to improve the structure of loan limits include establishing one, annual subsidized limit by eliminating differences based on year in school, eliminating Direct Loan proration for final periods of programs that are less than a year in length, increasing annual and aggregate limits to a more realistic level, and stepping aggregate limits based on year in school. In addition, NASFAA suggests allowing for "bonus borrowing" at institutions with higher costs and a proven track record of low default rates.¹⁹

Restore graduate and professional student eligibility for subsidized loans. Undergraduate students with demonstrated financial need are eligible for Federal Subsidized Direct Loans. Eligible students do not have to pay the accrued interest on subsidized loans while they are enrolled at their institutions at least half-time, but the Budget Control Act of 2011 eliminated graduate student eligibility for the in-school interest subsidy as a means of reducing the federal budget deficit. With no access to federal grants, the elimination of the in-school interest subsidy harms low-income students in their pursuit of an advanced degree and leads to increased debt. Benefits for graduate and professional students are often the first targeted in the federal budget process, which leads to higher debt loads and a growing utilization of private loans with inconsistent consumer protections. Congress should pass the Protecting Our Students by Terminating Graduate Rates that Add to Debt (POST GRAD) Act, a bill supported by NASFAA that would restore the in-school interest subsidy for graduate students.

¹⁸ "Report of the NASFAA Task Force on Student Loan Indebtedness," NASFAA, February 2013, (https://www.nasfaa.org/Report_of_the_NASFAA_Task_Force_on_Student_Loan_Indebtedness).

¹⁹ "Discussion Draft: Dynamic Loan Limits Working Group Proposal," NASFAA, July 2016, (https://www.nasfaa.org/uploads/documents/Dynamic_Loan_Limits_Discussion_Draft.pdf).

Reforming Student Loan Repayment

According to the Congressional Research Service, there are over 50 loan forgiveness and loan repayment programs currently authorized, with at least 30 operational as of Oct. 1, 2017.²⁰ Of these, there are eight widely-available repayment plans, including five income-driven repayment plans, the most recent being the “Revised Pay As You Earn” (REPAYE) plan, which first became available to borrowers in December 2015. Understandably, this creates a great deal of complexity for borrowers seeking to navigate the variety of loan repayment options. Through the HEA reauthorization, Congress has several opportunities to improve and simplify student loan repayment for borrowers.

In addition to the recommendations outlined below, NASFAA is currently engaging in the development of additional policy recommendations related to student loan repayment, including ideas related to the elimination of negative amortization, caps on interest accrual, automatic enrollment for income-driven repayment plans, and targeted debt forgiveness. This document will be updated with the new recommendations upon completion of that project.

Consolidate and simplify the federal loan repayment plans. The tangled web of repayment options confuses borrowers. Consolidating the various repayment plans into a single income-driven repayment (IDR) plan and a single standard repayment plan will help borrowers understand the benefits and protections inherent in our federal student loan repayment system. Additionally, the consolidated IDR plan should be easy to enroll in and include reasonable, generous terms and conditions that provide struggling borrowers with the safety net they need to remain in good standing during economically challenging times. These programs should be made available to all existing borrowers as well as prospective borrowers. Additionally, Congress should ensure that all loan forgiveness is exempted from the calculation of gross income for income tax purposes. Taxing borrowers on the amount of forgiveness received is counterintuitive, as it provides a disincentive for high-debt borrowers to take advantage of forgiveness programs and creates a sudden financial hardship for borrowers receiving forgiveness.

Strengthen Public Service Loan Forgiveness. The Public Service Loan Forgiveness (PSLF) program encourages students to pursue and commit to vital public service careers without fear that their student loan payments will follow them for decades. The program is of high value to both students and society, but needs to be evaluated and strengthened in order to ensure it is the most efficient, simple, fair program for borrowers working in public service. Improvements to the program may include, for example, the concept of rolling forgiveness rather than one-time forgiveness at the end of the 10-year period. With regard to implementation, the effectiveness of PSLF could be improved by strongly encouraging the submission of annual employment certification forms and emphasizing increased outreach to borrowers about the program. Additionally, Congress should encourage ED to provide more publicly available data about the PSLF program’s cost, effectiveness, and integrity.

Support a refinancing option for borrowers. NASFAA supports the ability of a borrower to refinance his or her loans, particularly if interest rates decrease by some specified amount from the rate at which a borrower’s loans were made.

Continue forward with the Department of Education’s steps on improving loan servicing. In July 2016, Undersecretary of Education Ted Mitchell sent a memorandum to the ED’s Office of Federal Student Aid (FSA) outlining policy direction on federal student loan servicing.²¹ Since that time, FSA has made considerable progress and today is moving forward with its “Next Gen Processing and Servicing” efforts to streamline the interface through which FSA recipients interact with the Title IV programs and student loan repayment. Many of the priorities outlined in the original memo match recommendations made in NASFAA’s Servicing Issues Task Force report, including the creation of a universal loan portal, increasing standard consumer protections for borrowers, and removing servicer branding from communications with borrowers.²² Congress should encourage ED to continue FSA’s work to improve the Next Gen initiative and develop intuitive tools that will help students and borrowers in navigating the federal student aid programs. NASFAA also supports the creation of a common policies and procedures manual for servicing.

²⁰ “Federal Student Loan Forgiveness and Repayment Programs,” Congressional Research Service.

²¹ “Policy Direction on Federal Student Loan Servicing,” Memorandum from Ted Mitchell, ED, to Jim Runcie, FSA, July 20, 2016, (<http://www2.ed.gov/documents/press-releases/loan-servicing-policy-memo.pdf>).

²² “NASFAA Task Force Report: Servicing Issues,” NASFAA, February 2016, (https://www.nasfaa.org/Servicing_Issues).

Improving Information for Students and Families

With a complicated federal student aid system, Congress and ED should prioritize providing simple, consumer-tested information to students and families as they begin the federal student aid process and as they navigate the entire student aid lifecycle.²³ While improved consumer information is not a silver bullet, students with limited financial literacy skills may not have the capacity or desire to understand the information presented to them. Better, more targeted information and counseling will improve decision making.

Standardize financial aid offer elements and terms. Financial aid administrators value the importance of clear, concise, and accurate information for students and parents, and recognize there are ways to improve financial aid offers. NASFAA's Code of Conduct includes requirements around aid offers, such as the inclusion of specific elements and the use of standard terminology and definitions.²⁴ NASFAA also supports legislation to standardize core elements and terminology on aid notifications and in communications, and urges Congress to pass the bipartisan Financial Aid Communication and Transparency (FACT) Act. The FACT Act, a bill endorsed by NASFAA, would improve financial aid offers by requiring institutions to include on their aid offers consumer-tested standard terms and definitions, certain elements such as an itemized Cost of Attendance and aid broken down by type, and explanatory notes about each type of aid, among other information. Congress should maintain institutional flexibility to design aid offers in a way that best meets the needs of each school's specific student population to help maximize the effectiveness of aid offers and avoid unintended, negative consequences of overly prescriptive standardization.

Develop and consistently use a consumer-testing model for new disclosure requirements. Moving forward, no new consumer information requirement should be imposed without prior consumer testing, which should then inform subsequent congressional or departmental action. Required testing of consumer information disclosures would provide an opportunity to improve the final product based on the input of the very consumers the disclosures are meant to assist. Requirements to provide consumer information should consider their intended audience and distinguish between undergraduate and graduate students. Information that is not relevant to, or does not use data pertaining to, graduate students should be restricted to undergraduates — and vice versa.²⁵

Repeal the ban on a federal-level student unit record. Currently prohibited, a limited federal student unit record would allow student-level data to be sent to ED, rather than the current system of aggregated institutional data captured in the Integrated Postsecondary Education Data System (IPEDS). For purposes of postsecondary education, a student unit record would allow for the assessment of, among other things, student success (including transfer rates), completion rates, and salaries by major or program. It could also follow students as they move through and between postsecondary institutions and into the workforce. More importantly, it would address current shortcomings with IPEDS. Acknowledging concerns over privacy, as higher education policy is increasingly focused on student success, completion, and outcomes, it becomes increasingly critical to have robust data that gives an accurate picture to students, families, and policymakers. Congress should pass the College Transparency Act, a bipartisan bill supported by NASFAA that would repeal the student unit record ban and create a secure, privacy protected student-level data network.

Eliminate disclosures not related to financial aid from Title IV administration. Consumer information needs to be usable, easy to understand, and make an impact on student choice. Currently, information provided is too complex and includes provisions for consumer information disclosures that have no relationship to federal student aid eligibility. Disclosures related to Constitution Day, athletics, campus safety reports, voter registration, and drug and alcohol prevention information, among others, may have value to students and families, but should not be tied in any way to the administration of the federal student aid programs.

²³ "NASFAA Task Force Report: Consumer Information," NASFAA, June 2014, (https://www.nasfaa.org/Consumer_Information_Report).

²⁴ "Code of Conduct," NASFAA, (https://www.nasfaa.org/Code_of_Conduct).

²⁵ "NASFAA Consumer Information and Law Student Indebtedness Task Force Report: Focusing Federal Aid Websites on Graduate and Professional Students," NASFAA, March 2016, (https://www.nasfaa.org/consumer_info_law_student_indebtedness_tf).

Conclusion

These recommendations serve as a roadmap for our discussions and will remain “living” in nature, in that we will continue to revisit and refresh to reflect any new developments on Capitol Hill, the broad field of higher education, or long-term impacts from COVID-19. The need to modernize federal higher education law to ensure that all students have the opportunity to access and succeed in higher education has never been greater. NASFAA looks forward to continuing to work with lawmakers to make progress toward a full reauthorization of the Higher Education Act, and to engaging our membership — financial aid administrators with boots on the ground — on these recommendations.

Please email policy@nasfaa.org with any comments or questions.

About NASFAA

The National Association of Student Financial Aid Administrators (NASFAA) is a non-profit membership organization that represents more than 28,000 financial aid professionals at nearly 3,000 colleges, universities, and career schools across the country. Collectively, NASFAA member institutions serve nine out of every 10 undergraduates in the United States. For over 50 years, NASFAA has worked to amplify the voice of the nation’s student financial aid administrators in the nation’s capital. NASFAA is the largest postsecondary education association with institutional membership in Washington, D.C., and the only national association with a primary focus on student aid legislation, regulatory analysis, and training for financial aid administrators in all sectors of postsecondary education. No other national association serves the needs of the financial aid community better or more effectively. For more information, visit www.nasfaa.org.

The National Association of Student Financial Aid Administrators (NASFAA) provides professional development for financial aid administrators; advocates for public policies that increase student access and success; serves as a forum on student financial aid issues; and is committed to diversity throughout all activities.

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