



January 26, 2024

Honorable Virginia Foxx  
Chairwoman  
Committee on Education and the Workforce  
United States House of Representatives  
2462 Rayburn House Office Building  
Washington, D.C. 20515

Honorable Bobby Scott  
Ranking Member  
Committee on Education and the Workforce  
United States House of Representatives  
2328 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairwoman Foxx and Ranking Member Scott:

On behalf of the National Association of Student Financial Aid Administrators (NASFAA), I write to offer comments on the College Cost Reduction Act. NASFAA's membership consists of more than 29,000 financial aid professionals at nearly 3,000 colleges, universities, and career schools across the country. NASFAA member institutions serve nine out of every 10 undergraduates in the United States.

Undoubtedly, transparency in college costs is a cornerstone for ensuring fair access to education. Students and families continue to cite cost as the primary barrier to pursuing a postsecondary degree, which is why it is imperative students and their families are equipped with clear and comprehensive information about the financial obligations they are undertaking, a task your legislation tackles head-on. We commend you for your efforts and focus on keeping costs down for students, a goal that we have discussed many times over the years and one that is shared by NASFAA members and the House committee.

Of course, the devil is always in the details and, given the breadth of these proposals, we want to ensure we understand the reach and possible consequences of some of these proposals, specifically as they relate to institutional risk-sharing and accountability. Surely, schools must be held accountable for their costs, or at least for the costs that they can control. Differentiating between the two will be tricky and we appreciate your efforts to make those distinctions.

As we work together to continue to improve the issues related to higher education, we urge you to consider these perspectives and continue to champion policies that prioritize transparency, fairness, and institutional accountability.

**Transparency***Financial Aid Offers*

NASFAA supports efforts to improve financial aid offers to ensure clarity of the information provided and transparency about anticipated costs and the types and amounts of financial aid available to students to cover those costs. We appreciate the careful consideration given to the financial aid offer form to specify uniformity while still allowing for some degree of institutional flexibility where it is appropriate, such as permitting the addition of relevant information and deletion of items that do not apply to the student or the institution. NASFAA and others in the higher education and college access community have done extensive work on improving financial aid offers through the [College Cost Transparency Initiative](#), and we are pleased to see the standards developed there reflected in this bill.

*Student Unit Record*

NASFAA has long supported lifting the student unit record ban in the interest of better assessment of student success including transfer rates, completion rates, and salaries by major or program. We especially appreciate provisions intended to reduce reporting burden and avoid duplicative reporting.

**Access and Affordability***Amount of Need*

NASFAA is concerned that the revised need analysis calculation that caps student aid eligibility at the median cost of college for the program of study, less the Student Aid Index and other financial aid, prevents programs with a cost of attendance that is higher than the median from awarding their own institutional financial aid up to the full cost of attendance because doing so would result in an overaward of federal student aid. Half of all programs of study would be faced with not being able to award federal student aid at all in order to prevent an overaward, or leaving a gap in the student's aid package equal to the difference between the median cost of college and the program's actual cost of attendance. Annual institutional grant aid spending surpasses all other types of grant funding combined. Efforts to cap the amount of federal student aid an institution can offer students should not negatively impact their ability to use their own funds to support student needs, especially when institutional grants represent such a significant share of students' financial aid packages.

*Pell Plus Program*

NASFAA supports the availability of Pell Plus Grants to incentivize on-time completion by allowing students on track to earn a baccalaureate degree in four years to utilize their entire Pell Grant lifetime eligibility in the four years it takes them to complete a baccalaureate degree. The doubled Pell Grant, though, should apply to all students, not just those who are enrolled in baccalaureate programs and who can complete their degree in four years.

While part-time students face challenges when it comes to college completion, part-time enrollment should not be viewed as a failure on the student's or the institution's part. Rather, it is a reflection of

students' life circumstances, with part-time students more likely to be self-supporting, have children of their own, and be employed while enrolled in college. The Pell Grant has failed to keep pace with inflation for years, leaving students more reliant on loans to fill funding gaps. Every student should benefit from increasing the purchasing power of the Pell Grant.

#### *Termination of Federal Supplemental Educational Opportunity Grant (FSEOG) Program*

The FSEOG program is a critical source of grant funding to Pell Grant-eligible students, especially because Pell Grants have failed to keep pace with inflation. The campus-based aid programs should be heralded as an example of risk-sharing success, with institutions covering 25% of FSEOG awards to students. FSEOG is the only federal student grant program that offers institutions flexibility in awarding funds and is critical to helping students meet emergency needs and to fill other funding gaps. We request clarification on the allowable uses of PROMISE grants as to whether they can be used to make direct grants to students, and note this could soften the impact of the loss of the FSEOG program.

#### *PROMISE Grants*

NASFAA supports efforts to enhance postsecondary affordability, access, and success, and we are heartened to see that risk-sharing payments outlined in the Accountability section of the bill would flow back into the federal student aid programs. We also appreciate this new source of funding to support innovation in this area.

#### *Loan Limits*

NASFAA supports institutional flexibility to prorate annual loan limits for populations of students in cases where they determine statutory limits would be excessive, such as for part-time students, or based on the student's year in school. Institutions are held accountable for student borrowing currently — even more so under the proposed legislation — yet have very limited ability to curb that borrowing. Allowing institutions to set common-sense limits on borrowing, with the flexibility to make case-by-case exceptions, will help institutions to do their part to minimize student loan indebtedness.

NASFAA does not, however, support the changes proposed to aggregate loan limits, because in most cases they result in lower borrowing caps than currently exist. The solution to rising debt burdens is not to simply cut off students' ability to borrow, but rather, to make meaningful investments in postsecondary education, such as doubling the Pell Grant for all students so they don't have to borrow in the first place.

#### *Loan Repayment*

The federal student loan program provides numerous protections for struggling borrowers, including the ability to repay student loans based on income. But the process is too cumbersome and complex for too many borrowers. The proposal in the College Cost Reduction Act to collapse the different

income-driven repayment plans into one single income-based repayment plan will simplify this process.

The proposal in the bill to cap the total amount a borrower would repay on their loans at the amount they would have paid in principal and interest under the 10-year repayment plan offers protections against negative amortization and forever-growing balances. We look forward to seeing projections on how this plan will compare to the new SAVE plan.

We also support the bill's interest and principal subsidy provisions for low-income borrowers repaying under the income-driven option.

However, we still believe monthly payments under the proposed plan will be too high for many borrowers by protecting only 150% of income that exceeds the federal poverty guideline and setting monthly payments at 10% of discretionary income.

We are also concerned that there is no provision for time-based forgiveness under the plan. Low-income borrowers making income-based payments should have assurances that they will not face a lifetime of debt.

#### *Elimination of the Graduate PLUS Loan Program*

While NASFAA supports reasonable limits on graduate-level borrowing as well as the elimination of the Grad PLUS program, it is with the caveat that there are opportunities for students to borrow up to the cost of attendance at their program of study if they can demonstrate an ability to repay their loans either based on current income or expected earnings based on earnings of their program's graduates.

The current proposal, eliminating the Grad PLUS program without any provisions for students to borrow federal loans up to their cost of attendance, places too many limits on how graduate students can afford their studies and could limit access to career fields where graduate education is a requirement.

#### *Elimination of the Parent PLUS Loan Program*

We disagree with the elimination of the Parent PLUS program. The current program, which allows borrowing up to the cost of attendance, has been critiqued for not taking into account a parent's ability to repay, often leaving parents with large debts that they cannot pay down. We are concerned about parents who overborrow for their children's educations, but instead of eliminating the program altogether, we propose increased underwriting criteria for parent loans, taking into account a parent's ability to repay using a debt-to-income ratio.

#### *Loan Rehabilitation*

NASFAA strongly supports allowing defaulted borrowers to go through the default rehabilitation process twice, instead of the current one-time allowance. If maintaining borrower engagement is a

primary goal of the repayment system, borrowers deserve more than one opportunity to exit default through rehabilitation.

#### *Elimination of Interest Capitalization*

NASFAA supports the bill's elimination of statutory interest capitalization events. This effort complements the Department of Education's (ED) regulatory efforts in this regard and ensures that every borrower will be spared the unexpected and costly practice of interest capitalization.

#### *Elimination of Origination Fees*

NASFAA strongly supports the elimination of origination fees and applauds the provision to do so in the bill. Origination fees act as a tax on students, collected by withholding a portion of the loan proceeds while still requiring repayment of the full loan amount before deduction of fees, plus interest. Loan fees mask both the true cost of a loan and the effective interest rate, and often leave student loan borrowers confused.

### **Accountability**

#### *Institutional Risk-Sharing for Direct Loans*

NASFAA supports holding institutions accountable for poor student completion rates, provided efforts to do so include strong exceptions for circumstances outside an institution's control. Understanding that students leave postsecondary education for a variety of reasons, a high noncompletion rate may be indicative of institutional failures.

While the idea of institutional accountability is one we are open to exploring, it is crucial to scrutinize the fairness and possible unintended outcomes of the methods employed. Relying exclusively on post-completion earnings may not provide a holistic understanding of the institution's performance. An approach that considers various factors contributing to educational quality and student outcomes is necessary to accurately gauge institutional success.

NASFAA disagrees with the geographical adjustment to value-added earnings for purposes of the institutional risk-sharing percentage calculation. Applying the regional price parity index for the region the school is located to program completers' value-added earnings doubly penalizes institutions located in high-cost areas by making a downward adjustment to the earnings figure to reflect the reduced purchasing power of the dollar in those areas, resulting in higher risk-sharing percentages. Institutions in high-cost areas are already disadvantaged in the risk-sharing formula because they must charge higher prices to reflect higher costs of maintaining facilities, labor, and supplies. The formula should instead provide for some acknowledgment that some institutions will have higher costs simply because of their location and not add to their already high costs by requiring higher risk-sharing percentages.

We also note that institutions already shoulder some of the risk for student withdrawals at the individual level through the Return to Title IV Funds (R2T4) calculation. However, that risk-sharing

comes with a significant amount of institutional burden due to complex R2T4 regulations. If the committee pursues this institutional risk-sharing plan, we look forward to exploring how it can replace R2T4.

We are confident these are matters the Committee has considered and appreciate your openness to exploring these matters further.

### *Regulatory Relief*

While NASFAA supports regulatory relief where the burden outweighs the benefits, financial aid administrators are willing to assume additional burden where the benefits are clear to students.

While NASFAA has questions and concerns with some provisions in the regulations adopted by the current administration, eliminating the regulations wholesale may also have unintended consequences, and may ignore the thoughtful and deliberative process expert negotiators engaged in through the negotiated rulemaking process. Further, it undermines ED's authority to promulgate regulations. Many of the regulations the bill repeals include important student and borrower protections, and their elimination would be a loss to those populations. We would prefer to see a more fine-tuned approach that carefully considers the individual components of the regulations as opposed to eliminating them in their entirety.

### *Timely Conclusion to Program Reviews*

NASFAA supports the proposal to institute a time limit on program review activities by ED for a few reasons. Introducing intermediary deadlines and imposing a two-year overall cap on the program review process enhances efficiency and streamlines the evaluation of educational programs. This time constraint provides clarity and accountability, ensuring that institutions are not subjected to prolonged and potentially disruptive reviews. The requirement for ED to notify institutions of any delays, along with the reasons behind them and a projected completion date, promotes transparency and enables institutions to plan accordingly. The proposal overall strikes an important balance between maintaining rigorous program oversight and respecting the need for timely and efficient reviews.

### **Student Success**

#### *Reverse Transfer Efficiency Act*

NASFAA supports this proposal. If a student has completed the coursework necessary for a degree or credential, it should be granted to them. The current system lacks a standardized and efficient mechanism for cross-institutional data exchange and can potentially slow the determination of whether a student has met the requirements for a degree or certificate. We also support the provision that requires written consent by the student, as it ensures privacy and consent in the information-sharing process.

#### *Transparent and Fair Credit Transfer Policies*

NASFAA supports the proposal for transparent and fair transfer of credit policies, as it addresses a crucial aspect of higher education — the additional costs students incur repeating successfully completed coursework because their institutions will not accept the credits. Prohibiting institutions from denying credit transfers based solely on the accreditation source of another institution promotes fairness and ensures that students are not penalized when they transfer institutions.

Thank you again for your willingness to engage with the financial aid community. Your attentiveness to these matters could not come at a more critical time for our students and families who are struggling with the costs of higher education.

Best regards,

A handwritten signature in black ink, appearing to read "Justin Draeger", written in a cursive style.

Justin Draeger, President & CEO