

REIMAGINING FINANCIAL AID TO IMPROVE STUDENT ACCESS AND OUTCOMES

The National Association of Student Financial Aid Administrators

EXECUTIVE SUMMARY

As the student aid programs rapidly approach reauthorization in 2014, they continue to face severe funding and efficiency problems. With grant assistance from the Bill & Melinda Gates Foundation through their “Reimagining Aid Design and Delivery” (RADD) project, NASFAA examined current systems of student aid with an eye towards reimagining how they could be improved in the future. This policy brief puts forward broad ideas intended to generate discussion and debate with the goal of advancing key policy issues facing student aid.

The issues discussed in this brief were generated through a multi-step process, layered with healthy, challenging, and innovative discussion regarding the current and future states of the federal student aid programs. NASFAA convened first and foremost a group of financial aid directors from across the country and from all sectors of higher education to serve as a discussion and reaction group. NASFAA also convened a group of policy advisors, made up of student aid experts and economists. In addition, NASFAA solicited feedback from a separate group of aid administrators, student aid advocates, and higher education policy experts along the way.

Throughout the RADD project, NASFAA relied on a series of underlying principles to guide our efforts. The principles were predicated on NASFAA’s Core Advocacy Principles and included the promotion of fairness, access, equity for all students, the primacy of need-based financial aid, increased accountability and transparency, and the acknowledgement that student success is a function of shared responsibility between institutions and students, while recognizing that students hold primary responsibility for successful outcomes. The policy considerations put forward in this issue brief should not be construed as recommendations—rather, they are conversation starters and require additional research, data analysis, and demonstration projects whenever possible.

SUGGESTED AREAS FOR POLICY REFORM

NASFAA’s RADD policy advisors and member-based discussion groups decided to pursue issues and solutions that fall within four main policy areas. Using existing research as a basis, NASFAA puts forward several policy considerations within each policy area.

- 1. Examining the Value of Institutional and Student “Skin in the Game”:** Can (and should) Title IV aid be used as a lever to change institutional *and* student behavior? Within that context, NASFAA puts forward the following policy considerations:
 - *Policy Consideration:* Use a *Super Pell* to incentivize students to enroll in more credit hours.
 - *Policy Consideration:* Use a portion of campus-based funding to incentivize schools to create an environment that fosters better-than-predicted student outcomes.

- 2. Student Loan Reform:** Given all of the safeguards to protect students from defaulting on loans, far too many students end up in student loan default. Research shows that most students who find themselves in trouble with student loans did not complete their degree and had tools they *could* have used to avoid default. How can we protect academically-unprepared students from default while still maintaining access to a postsecondary education and – as appropriate – student loan funds?
 - *Policy Consideration:* Use a “*Student Loan Eligibility Index*” that would introduce minimal underwriting standards on federal loans to shield academically-unprepared students from loan indebtedness.
 - *Policy Consideration:* Rethink the entire concept of student loan default by implementing an *automatic Income-Based Repayment* plan for all borrowers.

- 3. Streamlining and Improving Consumer Information:** How can we make college and financial aid information more timely, effective, valuable, and concise?
 - *Policy Consideration:* Make an early funding commitment to high school students through a *Pell Promise* to increase college-going rates and student outcomes.
 - *Policy Consideration:* Increase disbursement flexibility and the predictability of net costs to students by offering a *Pell Well* of funds for students to “draw” from throughout their undergraduate career.
 - *Policy Consideration:* Provide predictive wage information before students enroll to decrease indebtedness and improve student outcomes.

- 4. Rethinking Entitlement and Professional Judgment:** The lack of practical tools available to schools to effectively counsel or deter unneeded borrowing can lead to students exhausting loan eligibility before program completion or over-borrowing relative to their degree. How can we ensure that schools have the appropriate tools to prevent excessive loan borrowing?
 - *Policy Consideration:* Provide schools with the authority to limit borrowing for groups of students while still allowing – on a case-by-case basis – students to borrow up to the federal annual loan limit.

While none of these policy considerations are put forward as definitive solutions, they are all worthy of additional consideration and discussion. The ideas outlined in the following report are based on the principle that each stakeholder in the higher education process has a role to play, and that any incentives (or penalties) should accurately reflect that participant’s expected role. We affirm that the *primary* role of student aid is to ensure that no qualified student be denied access to a postsecondary education; and the goal of the institution is to create an environment where every qualified student has the tools, environment, and information needed to succeed.