



December 8, 2017

Honorable Virginia Foxx
Chairwoman
Committee on Education and the Workforce
United States House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

Honorable Bobby Scott
Ranking Member
Committee on Education and the Workforce
United States House of Representatives
2101 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 Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act. NASFAA represents 20,000 financial aid administrators at 3,000 institutions nationwide. All told, our members serve nine out of 10 undergraduate students.

America's higher education system has changed dramatically since the last wholesale look at federal higher education policy almost a decade ago. New technologies, changing student behavior, and evolving demographics necessitate a refresh of the nation's higher education law. Since the last HEA reauthorization, and through previous reauthorizations since 1965, one core principle remains true: no student should be denied access to a postsecondary education due to a lack of financial resources.

We are first and foremost concerned about how quickly a bill of this size and scope is being moved through a committee markup. In order to provide the best feedback, stakeholders need additional time to run simulations to best understand how these proposals will affect students.

While streamlining the federal student aid programs is an idea that has been around for some time, it is unclear whether all savings generated from eliminating programs including Federal Supplemental Educational Opportunity Grants (FSEOG), subsidized loans, TEACH Grants, and Public Service Loan Forgiveness are being reinvested back into other aid programs. NASFAA firmly believes all savings generated from program eliminations must be reinvested into other student aid programs.

With a scheduled markup of the bill by the House Committee on Education and the Workforce

coming within the next week, we are writing to detail some of our reactions to key provisions in the bill. NASFAA supports several provisions in the bill, but we also have serious concerns and questions about others. We also call on the Committee to rethink or abandon some proposals that would leave some students worse off.

Concepts Supported by NASFAA

Incentive for Accelerated Enrollment: "Super Pell"

NASFAA supports a boost in a student's Pell Grant if he or she enrolls in 15 or more credits per semester to incentivize on-time or accelerated completion of a program. This carrot-over-stick approach encourages students to enroll in additional coursework if capable, but does not punish students who may be unable to take a 15-credit or more course load in a semester.

We recommend slight changes in the language around the requirement that students must carry a workload that "will lead to" 30 or more credits so that the Department of Education (ED) does not read "will" to mean "must," which would be punitive to students and burdensome to administer.

Retention of the Current Funding Composition of the Pell Grant

The Pell Grant program is unique in that it is constructed as an entitlement program, but is funded largely as a discretionary program. While NASFAA supports shifting all federal Pell Grant dollars to mandatory funding to ensure stability for this entitlement, we are pleased that the PROSPER Act does not implement a previous proposal to move all funding to discretionary, and retains both mandatory and discretionary funding.

However, the PROSPER Act misses a clear opportunity to address the eroding purchasing power of the Pell Grant. After years of mandatory increases based on the Consumer Price Index, the Pell Grant program is set to flatline in the future, absent congressional action. NASFAA supports— at a minimum— indexing the maximum Pell Grant to inflation, a provision that expired in fiscal year 2018.

Elimination of Student Loan Origination Fees

NASFAA strongly supports the elimination of origination fees and applauds the provision to do so in the PROSPER Act. Origination fees act as a tax on students collected by withholding a portion of the loan proceeds, but 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. After taking into account loan fees, the annual percentage rate on federal loans is higher than the advertised interest rate. NASFAA estimates the federal government collected over \$1.6

billion in origination fees in 2016-17 and \$8.1 billion over the last five award years.

In addition, eliminating origination fees would simplify the loan process. Student loan borrowers are often confused that the net amount – after origination fees – of their loans is less than the amount they have requested. Annual adjustments to loan origination fees each October as a result of sequestration imposed under the Budget Control Act of 2011 add to the frustration shared by students and schools.

FAFSA Improvement Provisions

NASFAA supports the PROSPER Act's inclusion of a number of bipartisan Free Application for Federal Student Aid (FAFSA) improvements. Codifying the use of prior-prior year (PPY) income information for need analysis would cement an important recent change to the federal aid application process that has already yielded positive results. The bill also includes additional important efforts to improve the FAFSA, including making the FAFSA available on mobile devices, requiring regular reports from ED on FAFSA simplification progress, introducing consumer testing of the form, and strengthening and solidifying a key simplification tool: the Internal Revenue Service (IRS) Data Retrieval Tool (DRT). Along with PPY, widespread use of the IRS DRT allows students and families to provide accurate information in a simple way.

NASFAA also supports the increase to the maximum adjusted gross income (AGI) for the simplified needs test from \$50,000 to \$100,000. This change will expand the number of students eligible for a streamlined financial aid application process.

NASFAA applauds the PROSPER Act for no longer requiring financial aid offices to determine whether a male over the age of 26 completed registration for the United States Selective Service System and whether any non-registration was "knowing and willful," an administratively burdensome process with little real benefit. To further simplify the aid application and delivery process, NASFAA strongly supports an outright elimination of the tie between federal student aid eligibility and registration for Selective Service.

NASFAA encourages the Committee to consider even more dramatic steps toward simplification. In our proposal, students and families participating in a federal means-tested benefits program, such as Supplemental Nutrition Assistance Program (SNAP) and/or Supplemental Security Income (SSI), would not be required to continue to prove their poverty. Instead, they would be automatically eligible for the maximum Pell Grant award. From there, the remaining applicants would enter additional financial information based on their predicted financial strength with most information coming directly from an expanded IRS DRT.

An additional way to simplify the aid application process would be to eliminate the tie between student eligibility and drug convictions. Let's keep student aid focused on providing students

access to postsecondary education and not other public policy goals. NASFAA supports the language in the SUCCESS Act (H.R. 1432) to eliminate this provision.

Increased Flexibility in Federal Work-Study

With institutions located in a variety of geographic regions and locales, rigid, one-size-fits-all requirements for Federal Work-Study (FWS) positions can actually prevent some schools from awarding all of the program dollars available. NASFAA supports the PROSPER Act's elimination of the private sector employment cap. Schools should be able to place students wherever jobs are available and reasonable. The PROSPER Act would retain the requirement that private sector jobs be academically relevant to the student's program.

In addition, NASFAA supports the PROSPER Act's elimination of the community service set-aside in FWS. Many schools already had strong, broad-based commitments to community service before the concept was incorporated as a requirement under FWS. Other schools are located in areas where qualifying community service positions are not readily available. Eliminating the requirement will not lead to the elimination of community service positions altogether; instead, institutions will be better able to tailor their FWS program to the individual characteristics of the school and students.

Finally, we are pleased by the development in the PROSPER Act of a fund reserved for improved institutions under the FWS program. The fund, as outlined in the bill, would reward schools that are serving low-income students while also providing an incentive for schools to improve. We believe this to be a fair, reasonable approach to working with institutions to improve outcomes for low-income students.

Institutional Authority to Set Loan Limits for Certain Borrowers

Though institutions are held accountable for the repayment behavior of their students, today, schools have little ability to prevent students from over-borrowing. NASFAA supports the authority in the PROSPER Act for institutions to set different loan limits for certain categories of students, including by enrollment status, credential level, and year in school. Retaining the authority for financial aid offices to increase these limits on a case-by-case basis provides important protections for special circumstances or for exceptionally needy students.

Annual and Aggregate Loan Limit Increases for Undergraduates

Federal student loans have become more of an access vehicle to higher education than ever before. Increasingly, students rely on federal student loans to afford their education. NASFAA supports the PROSPER Act's increases to annual and aggregate loan limits for undergraduate

students under the ONE Loan Program, particularly in light of lost dollars from the expiration of the Perkins Loan program.

Consolidation of Repayment Plans

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 PROSPER Act to collapse the different income-driven repayment plans into one single income-based repayment plan will simplify this process.

Loan Cancellations for Borrowers in Income-Driven Repayment

NASFAA supports the provision in the PROSPER Act that cancels any outstanding loan balance after a borrower has repaid their principal and interest (based on a 10-year amortized standard repayment schedule) in full. This approach ensures that students experiencing negative amortization during income-based repayment will have an end in sight.

Restoration of Ability to Benefit

NASFAA supports the PROSPER Act's restoration of the "ability to benefit" provision allowing a student who does not have a high school diploma or its recognized equivalent to meet the general student eligibility requirement concerning academic credentials by completing at least 6 credit hours of college coursework (or the equivalent) that is applicable toward a degree or certificate. Forcing students to first get a GED and then enroll in a postsecondary degree or certificate program prolongs their time to credential completion and in many cases impacts their ability to obtain well-paying jobs and support their families.

Accountability Provisions for the Office of Federal Student Aid

Tasked with implementing the federal student aid programs, the U.S. Department of Education's Office of Federal Student Aid (FSA) was structured as a performance-based organization (PBO) in 1998 with expanded administrative autonomy in exchange for increased oversight and accountability. Since then, FSA's portfolio has grown dramatically. We commend the PROSPER Act for including several common-sense accountability provisions for FSA, such as including stakeholders in the strategic planning process, introducing additional performance metrics, and establishing an FSA Advisory Board.

We also commend the PROSPER Act for including provisions that would establish time limits for

components of the program-review procedures FSA conducts of schools. While schools must adhere to strict deadlines in the program-review process, there are currently no time limits on FSA's response to institutions or on the total timeframe for a program review.

Questions and Areas of Concern

Elimination of the Federal Supplemental Educational Opportunity Grant (FSEOG) Program

NASFAA sees value in exploring simplification of the federal financial aid programs; however, the PROSPER Act's elimination of the Federal Supplemental Educational Opportunity Grant (FSEOG) program without any significant attempt to backfill the loss in grant aid elsewhere will leave FSEOG recipients worse off. Because of the institutional matching requirement, FSEOG has an important skin-in-the-game component that stretches the federal dollar further in support of the neediest students, making FSEOG an existing and effective form of institutional risk-sharing.

The PROSPER Act's proposed elimination of the Federal Perkins Loan Program was met with corresponding increases to undergraduate loan limits; however, no such provision in the Act effectively addresses the loss in grant aid that would result from eliminating FSEOG.

Elimination of Time-Based Loan Forgiveness

We are opposed to the outright elimination of all time-based loan forgiveness. Eliminating the current provisions that allow loan forgiveness after 20 or 25 years is a vital protection that prevents borrowers from repaying a loan into perpetuity. Federal student loans are one of the few debts that cannot generally be discharged in bankruptcy, so loan forgiveness after decades of repayment must remain.

Elimination of the Public Service Loan Forgiveness (PSLF) Program

The Public Service Loan Forgiveness (PSLF) program was created by Congress in 2007 to provide an incentive for talented individuals to enter and remain in public service positions by forgiving their federal student loans after achieving 120 qualifying payments. NASFAA opposes the PROSPER Act's elimination of PSLF entirely for new borrowers. PSLF encourages students in a visible way to pursue and commit to careers in public service like social work, teaching, and law enforcement without fear that their student loan payments will follow them for decades.

Instead of eliminating the program entirely, NASFAA suggests¹ instituting limits on the amount

¹"NASFAA Task Force Report: Public Service Loan Forgiveness" NASFAA, 2014:

of forgiveness, with 100 percent forgiveness up to the undergraduate aggregate Stafford Loan limit (currently \$57,500) and 50 percent forgiveness of any remaining eligible balance up to the graduate aggregate Stafford Loan limit (currently \$138,500). A cap on the maximum amount of forgiveness combined with proportional forgiveness may ensure that students are discouraged from over-borrowing, while still retaining an important benefit for public service workers in our communities.

Elimination of the Graduate PLUS Loan Program

NASFAA is pleased to see a separation between parent borrowers and graduate student borrowers in the PROSPER Act; we agree that these borrowers should be provided separate loan programs that have different eligibility requirements.

Currently, qualified graduate and professional students can borrow up to a school's cost of attendance, something that the PROSPER Act would curtail. NASFAA does not necessarily oppose setting lower maximums on graduate-level borrowers below an institution's cost of attendance. In fact, a working group of aid directors who serve graduate students recently proposed caps in graduate borrowing, but with additional borrowing available to students who meet certain credit standards.

In any case, before determining what these lower borrowing maximums should be, policy makers should consider the following:

1. Data about the ranges and averages of graduate-level borrowing, and a detailed analysis of repayment performance of current graduate borrowers. Not having a full picture of graduate borrowing makes it exceedingly difficult to determine the borrowing maximums.
2. A functioning process whereby the Secretary of Education allows increased borrowing for high-cost programs. While the Secretary currently has the authority to increase loan limits for high-cost programs² the Secretary does not consider— or even have a process to consider— applications for such increases.

Elimination of the Parent PLUS Loan Program

While we appreciate that the PROSPER Act retains a form of borrowing for parents, we need further analyses to determine the ways in which the new aggregate cap in this bill would impact students and families. The current Parent PLUS program, which allows borrowing up to cost of attendance, has been critiqued for not taking into account a parent's ability to repay, often

https://www.nasfaa.org/Public_Service_Loan_Forgiveness_Report

² HEA, sec.428(d)(2)(A)

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 a cap, we would propose increased underwriting criteria for parent loans that take into account a parent's ability to repay the loan through some sort of debt-to-income ratio.

Elimination of Graduate Student Eligibility for Federal Work-Study

NASFAA opposes the provision in the PROSPER Act which would eliminate Federal Work-Study (FWS) eligibility for graduate and professional students, particularly with the new infusion of funds into the program under this bill. This type of self-help is good for all students, undergraduate and graduate. Along with the elimination of the Graduate PLUS Loan Program and the Perkins Loan Program, graduate students interested in FWS would be left to fill a significant gap in their education expenses. The elimination of eligibility for graduate students also limits this population's opportunity to participate in crucial, résumé building, work-based learning.

Modification of the Return of Title IV Funds Process

NASFAA commends any effort to simplify the burdensome process for determining how much Title IV funding must be disallowed for students who withdraw from school during a payment period ("return of Title IV funds," or "R2T4"). The proposed legislative changes in the PROSPER Act would improve the current process, but we have concerns about certain provisions that could negatively impact both students and schools.

We support revisiting the treatment of modules in the context of a clearer distinction between changes in enrollment status versus actual withdrawal from the payment period. We hope that this direction from Congress will allow negotiated rulemakers to find a better approach than is currently in place. We also support the proposed definition of "required to take attendance," and we support eliminating the need to identify a student's "intent to withdraw" outside of the institution's publicized withdrawal procedures.

We also support changing the daily determination of percentage of aid earned to a range of time periods with associated percentages of aid earned; we believe that approach will be less burdensome and error-prone. However, we are concerned with the associated earned percentages. Under the PROSPER Act, a student whose withdrawal date falls within the first 24 percent of the payment period would be allocated no earned aid. That strikes us as too punitive and could discourage schools from taking chances on risky populations. Federal student aid is meant to provide access to the possibility of a higher education for students who are economically disadvantaged; often, economic disadvantages are tightly aligned with educational disadvantages. We would like to revisit this provision with the Committee to

ensure we are balancing institutional and student responsibility with long-standing principles of access.

Rapid Allocation Changes in Federal Work-Study

NASFAA supports changes to the current campus-based aid allocation formula, as the formula has not been adjusted to reflect the demographic redistribution of needy students that has occurred across the nation. However, while NASFAA supports the phase-out of the current Federal Work-Study (FWS) program institutional allocation formula with its “base guarantee” and “fair-share” components in favor of an entirely fair-share formula, a five-year phase-out as found in the PROSPER Act could harm students at institutions with high base guarantee portions of their FWS allocation. Instead, to avoid large swings in allocations from year to year, NASFAA supports³ a phase-in protection that would ensure that no institution’s allocation would increase or decrease by more than 10 percent per year. This would allow institutions the ability to predict and plan their funding from year to year and prevent large funding reductions that might be harmful to an institution.

In addition to the allocation formula change, the PROSPER Act would require institutions to increase their match of federal FWS allocations from 25 percent to 50 percent over five years. With a proposed increase to the FWS appropriation and the rapid allocation formula changes, institutions with a high level of need and FWS interest may not be able to shuffle resources to fully support their FWS program. NASFAA supports maintaining the current ratio of federal share to institutional share, or alternatively, a 10-year ramp up of increased institutional matching obligations.

Mandatory Weekly or Monthly Disbursements of Federal Aid

The PROSPER Act would mandate that aid be disbursed on a weekly or monthly basis -- an idea known as “aid like a paycheck.” Those institutions who feel that more frequent disbursements are beneficial to their student population have likely already implemented this disbursement option, which is allowable under current rules⁴, since institutions also have a stake in ensuring that students are able to successfully budget their limited federal aid dollars. While the bill would allow for unequal installments to help with upfront costs, NASFAA believes weekly or monthly disbursements should be an option for schools, not a mandate.

³ “NASFAA Task Force Report: Campus-based Allocation Formula” NASFAA, 2014:
https://www.nasfaa.org/The_Campus_Based_Aid_Allocation_Formula_Task_Force_Report

⁴ 34 CFR 690.76 & 34 CFR 685.303(d)(3)(i)

Mandated Annual Counseling for all Pell Grant and Federal Loan Recipients

NASFAA recognizes the value in ensuring students have a full understanding of their financial aid package; however, over the years the sheer volume of information provided to students overwhelms even the savviest students navigating the many obligations at the start of enrollment. The PROSPER Act would mandate annual counseling for all Pell Grant and federal loan recipients as a condition of receiving aid. Instead of requiring annual counseling, NASFAA supports⁵ providing the authority for institutions to mandate additional loan counseling at the institution's discretion, an authority institutions currently do not possess.

We do, however, commend the PROSPER Act for directing the Department of Education to develop a counseling tool institutions can use to comply with this new mandate and for requiring consumer testing of that tool.

We look forward to working with you and other members of the Committee to identify opportunities to improve the PROSPER Act to ensure the nation's federal financial aid system works for all.

Regards,



Justin Draeger, President & CEO

cc: Members of the House Committee on Education and the Workforce

⁵ "NASFAA Task Force: Reauthorization Recommendations" NASFAA, 2016 (updated): https://www.nasfaa.org/uploads/documents/updated_rtf_report.pdf