NASFAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

INVESTING IN OUR FUTURE

THE TOP 5 STUDENT AID POLICIES NEEDED TO SUSTAIN AND STRENGTHEN HIGHER EDUCATION

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As our country is on the brink of a new presidential administration and new Congress, amid a global pandemic, the importance of investing in and strengthening our nation's postsecondary education system has never been more important. Concerns over college access, affordability, and transparency are colliding with the growing demand in the workforce for college educated individuals, all while racial disparities in college access and attainment are becoming more stark than ever. The COVID-19 pandemic has exacerbated these issues and created additional concerns, but also presents an opportunity, along with the reauthorization of the Higher Education Act, to examine and re-evaluate our country's higher education policies.

Action — in some cases immediate — is needed to refocus, reinvest, and recalibrate our country's policies around postsecondary education. Robust, streamlined student aid policy must play a central role in this effort, and we advise the incoming Biden administration and 117th Congress to strongly consider and prioritize the following policy recommendations as a way to strengthen access to, and success in, higher education for our nation's students.

1: Deliver Additional COVID-19 Relief to Students and Institutions

The COVID-19 pandemic has presented an unprecedented and prolonged crisis for higher education. Millions of students and families are facing record unemployment[1], hampering their ability to pay for college and repay their loans, and institutions have been hit with billions of dollars in lost revenue and unexpected costs related to reopening, testing, and providing personal protective equipment. This, coupled with the impact decreased state funding[2] has had on public institutions, has created a dire situation for our nation's postsecondary education system and the students it serves.

While the funding, flexibilities, waivers, and extensions provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the executive branch at the onset of the pandemic provided a tremendous lifeline to students and institutions, additional COVID-19 emergency relief for students and institutions is desperately needed, and should be the first priority of the incoming Biden administration and 117th Congress.

- **Provide Additional Emergency Relief Funding for Students and Institutions.** The CARES Act provided nearly $14 billion for higher education institutions and students, but an additional $120 billion is needed to help institutions safely reopen and support students through the pandemic. This spring it was estimated that institutions would incur approximately $74 billion in reopening costs,[3] on top of an additional $46.6 billion in financial impact (including roughly $35 billion in lost revenue and $12 billion in additional need-based financial aid) resulting from the pandemic.[2] To provide students with the financial support needed to remain enrolled and avoid financial cutbacks that will harm local communities, colleges and universities need, at a minimum, an additional $120 billion in the next supplemental spending bill.

- **Extend Existing Borrower Relief.** Congress and the incoming administration should extend the borrower relief provisions included in the CARES Act, including the automatic payment suspension and 0% interest rate, until Sept. 30, 2021, or the end of the national emergency, whichever occurs first. Action should also be taken to extend relief to the more than 8 million federal student loan borrowers with Federal Family Education Loans (FFEL) or Perkins Loans that are not owned by the Department of Education (ED), which are not included in the CARES Act.[5]

- **Extend Existing Title IV Waivers, Extensions, Flexibilities.** Current flexibilities are authorized through the end of the payment period that includes Dec. 31, 2020, or the end of the payment period that includes the end date for the federally-declared emergency related to COVID-19, whichever occurs later.[6] Verification flexibilities are needed for the 2021-22 application year, which has already begun. Also, depending on the timing of the end of the federally-declared emergency, institutions may need additional time to smoothly transition out of the use of the flexibilities. For example, ED currently provides broad approval to institutions to use distance learning modalities without going through the standard ED approval process. When this flexibility ends after the federally-declared emergency is over, institutions that wish to continue distance learning to avoid an abrupt shift to in-person learning will need sufficient time to proceed through any required standard ED approval process.

- **Rescind June 17 Interim Final Rule Restricting Student Eligibility for CARES Act Grants.** The CARES Act authorized $6 billion in emergency student grants for students impacted by the COVID-19 pandemic. Congress placed this funding outside of Title IV of the Higher Education Act and did not establish limits on student eligibility. ED, however, imposed its own student eligibility limits, requiring them to meet the Title IV student eligibility requirements, which include being a U.S. citizen or eligible noncitizen. It is essential to rescind ED's incorrect interpretation of congressional intent that has excluded hundreds of thousands of students from receiving CARES Act grants.

2: Strengthen the Federal Pell Grant Program

The Federal Pell Grant Program remains the foundational federal student aid program. Without it, every year millions of low-income students would miss out on the benefits of a college education. In 2017-18, there were approximately 7.1 million Pell Grant recipients. These recipients received an average grant amount of $3,900, and just over 80% had family incomes of less than $40,000.[7] The Pell Grant program enjoys broad support, and it works well. We encourage the Biden administration and Congress to invest in this already well-oiled machine.

- **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.[8] The 2020-21 maximum Pell Grant covers only 29%[9] of the average cost of tuition, fees, room & board at a public four-year institution, while it covered 79% in 1975.[10]

  The time has come for Congress to make a substantial investment in the program by doubling the maximum Pell Grant. 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.[11]

  Perhaps most importantly, investing in the Pell Grant program is a matter of racial and social justice, as the program plays a critical role in ensuring college access for many traditionally underserved student populations. In 2015-16, 58% of Black undergraduates and 47% of Hispanic undergraduates received a federal Pell Grant, compared to 32% of white undergraduates.[12] The program also benefits our nation's lowest-income students the most. Just over 80% of 2017-18 recipients had a family income of less than $40,000.[13] A policy like doubling the Pell maximum is not just an investment, it is an act of justice.

- **Extend Pell Eligibility to Incarcerated Students and DACA Participants.** Congress should remove the ban on Pell Grant eligibility for incarcerated students put in place by the 1994 Violent Crime Control and Law Enforcement Act, which greatly restricted access to higher education for incarcerated individuals. The evidence is clear that providing postsecondary education opportunities in prisons contributes to successful reentry to society and promotes public safety.[14] Removing the 1994 ban and restoring Pell eligibility for incarcerated individuals is a critical step in expanding postsecondary access to this important student population.

  Pell Grant eligibility should also be extended to Deferred Action for Childhood Arrivals (DACA) participants. While 54% of the U.S. population between ages 15 and 32 has some college experience, just 36% of the DACA-eligible population in the same age range are either enrolled in college, have completed some college, or have earned a bachelor's degree.[15] We are pleased that the incoming Biden administration has already committed to restoring DACA, and extending Pell eligibility to DACA recipients is a critical step in providing this population with access to affordable higher education opportunities.

- **Shift the Federal Pell Grant Program to Full Mandatory Funding.** 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 mandatory funding.

3: Simplify the Federal Financial Aid Application Process

NASFAA has long been interested in ways to make the Free Application for Federal Student Aid (FAFSA) and the overall 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, the implementation of the Internal Revenue Service (IRS) Data Retrieval Tool (DRT), and the passage of the 2019 Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act,[16] which allows for direct data sharing between ED and IRS. However, there is more work to be done by Congress and the administration.

- **Further Simplify the FAFSA by Directing Applicants Down One of Three Paths Based on Predicted Financial Strength.** NASFAA has developed a model that would simplify the FAFSA process while still ensuring program integrity and accurate targeting of federal funds.[17] Under the proposal, students and families who are non-tax-filers, or participants in a federal means-tested benefits program who meet income criteria, would be automatically eligible for the maximum Pell Grant award. Other applicants would enter additional financial information based on their predicted financial strength. By eliminating irrelevant and unnecessary questions, including those not related to student aid, and fully utilizing technology with existing federal systems, NASFAA's model makes the aid application process much easier.

- **Ensure a Smooth Implementation of the FUTURE Act.** The use of more information obtained directly from the IRS as authorized by the FUTURE Act would allow for a simpler application and reduced burden for applicants, while still retaining a high standard of accuracy. Expanded data-sharing could also simplify the process of verification, as well as income-driven repayment application and recertification. Adequate resources at the federal level are needed to ensure a smooth and timely implementation.

4: Curb Student Indebtedness and Simplify Repayment

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.[18] 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, but there must be sound policies in place to deter excessive borrowing and ensure repayment is simple and understandable.

- **Eliminate Student Loan Origination Fees.** Deemed the "student loan tax,"[19] loan origination fees are a relic of the 1980s, when additional revenue was necessary to offset loan subsidies in the now-defunct FFEL Program. Origination fees withhold, on average, $294 of an undergraduate student's and $1,174 of a graduate student's loan proceeds after factoring in associated interest, while still requiring repayment with accrued interest of the full loan amount. The federal budget should not be balanced on the backs of students and families.[20]

- **Explore Targeted Debt Forgiveness.** The more than $1.5 trillion in outstanding student loan debt impacts Americans' ability to plan for their financial futures, such as saving for retirement or investing in a home. Congress should explore debt forgiveness that is targeted to borrowers with the greatest need to ensure that a college degree leads to financial self-reliance and not a life of penury.

- **Consolidate and Simplify the Federal Loan Repayment Plans.** 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.[21] This tangled web of repayment options confuses borrowers. Consolidating the various income-driven repayment plans into a single plan will help borrowers understand the benefits and protections inherent in our federal student loan repayment system.

- **Strengthen Public Service Loan Forgiveness.** Preserving Public Service Loan Forgiveness (PSLF) program, and exploring new ways to strengthen it, will continue to encourage students to pursue and commit to vital public service careers without fear that their student loan payments will follow them for decades. At a minimum, Congress should require ED to encourage the submission of annual employment certification forms and to conduct increased outreach to borrowers about the program. Congress should also require ED to make additional PSLF data publicly available in order to answer questions regarding the program's cost, effectiveness, and integrity.

- **Exempt All Loan Forgiveness From the Calculation of Gross Income for Income Tax Purposes.** Currently, forgiveness and discharge under the vast majority of federal student aid programs and provisions must be included as income for income tax purposes. Taxing forgiven loans creates a disincentive for borrowers to take advantage of forgiveness programs because it creates an immediate financial hardship that can be more financially burdensome than simply remaining in repayment.

- **Continue Development of"NextGen Processing and Servicing" Plan.** 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. Since that time FSA has made considerable progress and today is moving forward with its NextGen efforts to streamline the interface through which federal student aid recipients interact with the Title IV programs and student loan repayment. NASFAA encourages the incoming administration to continue FSA's work to improve NextGen and develop intuitive tools that will help students and borrowers in navigating the federal student aid programs.

- **Provide Financial Aid Offices With More Tools to Curb Student Indebtedness.** Schools are held responsible for their cohort default rates (CDR), yet they have very limited authority to impose restrictions on borrowing and are prohibited from requiring additional loan counseling. Enhancing school authority to limit excessive loan borrowing or to require additional counseling would allow schools to better serve their students' financial best interests.

- **Restore Interest Subsidy for Graduate Students.** Graduate and professional (GP) students with financial need were eligible to receive an interest subsidy on loans up to $8,500 per year until Congress, faced with a Federal Pell Grant shortfall, eliminated the GP subsidy in the Budget Control Act of 2011.[22] That loss currently costs GP students $365 per year. Restoring the subsidy will reverse the harm caused when GP students are forced to bear the brunt of student aid cuts.

5: Enhance Student Aid Delivery

Tasked with implementing the federal student aid programs, FSA provides more than $120 billion in financial aid to approximately 10 million students each year. With $1.267 trillion in total assets in FY 2019, FSA would rank fifth on the Federal Reserve System's list of largest U.S. holding companies by total assets.[23] Most importantly, FSA, in partnership with institutions, plays a central role in expanding access to affordable postsecondary opportunities through the administration of the federal student aid programs. Given the agency's role as a linchpin of our nation's higher education system, and the tendency for secretaries of education to come from backgrounds focused on K-12 education, it is critical that FSA has strong leadership, efficient governance, and adequate staffing. The incoming Biden administration and Congress should ensure this occurs.

- **Improve the Operational Efficiency of the 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. 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.[24] We urge Congress to prioritize accountability and oversight of FSA and increase the involvement of stakeholders in the FSA strategic planning process by requiring FSA to provide the final report for a program review within 60 days after receipt of an institution's response, introducing additional performance metrics, and establishing an FSA Oversight Board.[25]

- **Provide the Office of Federal Student Aid With Adequate Staffing and Resources.** A cornerstone of FSA's ability to fulfill its responsibility as gatekeeper of the federal student aid programs is its workforce. As our nation's higher education and student aid landscape continues to modernize, the agency must be equipped with a talented, skilled workforce that can evolve to meet the changing needs of students. NASFAA encourages the incoming administration to prioritize the staffing of FSA and develop a plan to attract and retain talented public servants.

Conclusion

As those who work with students on a daily basis, financial aid administrators nationwide continue to believe there are many opportunities to improve the federal student aid system to ensure success for all stakeholders in all stages of the process. NASFAA looks forward to collaborating with the incoming Biden administration and the 117th Congress to ensure that our country's financial aid policies provide access and opportunity to all qualified students.

For more information about NASFAA's policies, advocacy, and research, visit NASFAA's website. 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.

Footnotes

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[15] https://www.migrationpolicy.org/research/education-and-work-profiles-daca-population

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[17] "Exploring Ways to Enhance FAFSA Efficiency: 2020 NASFAA FAFSA Simplification Proposal Update", (https://www.nasfaa.org/uploads/documents/FAFSA_Series_Pt7_Simplification_Proposal_Update.pdf)

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[23] https://www2.ed.gov/about/reports/annual/2019report/fsa-report.pdf

[24] "NASFAA Testifies Before Congress on Financial Aid Administrators' Experiences with FSA," NASFAA, (https://www.nasfaa.org/fsa-testimony).

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

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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