

NASFAA “Off The Cuff” – Episode 73 Transcript

Justin Draeger: Hey everyone, welcome to another edition of “Off The Cuff,” I'm Justin Draeger.

Allie Bidwell: I'm Allie Bidwell, one of our *Today's News* reporters.

Megan Coval: I'm Megan Coval with NASFAA's policy team.

Justin Draeger: Stephen is off traveling, personal time.

Megan Coval: Yep.

Justin Draeger: Alright, let me ask you a question. We're gonna get into some today, seems like a lot of stuff happening. But before I get into that, Megan and Allie, you're probably both in confidential meetings from time to time, right?

Allie Bidwell: Somewhat-

Justin Draeger: Okay, Allie's not going to play along.

Allie Bidwell: Probably you guys more.

Justin Draeger: Okay, so you are in confidential meetings, where like, "This is confidential."

Megan Coval: Locked up.

Justin Draeger: Locked up. It's in the vault, can't talk about it.

Megan Coval: Mm-hmm.

Justin Draeger: Now, have you ever been tempted to leak something from a confidential meeting?

Megan Coval: No.

Justin Draeger: You've never even been tempted?

Megan Coval: No.

Justin Draeger: Okay. Allie, how about you?

Megan Coval: Go back-

Allie Bidwell: No.

Megan Coval: Go back to my rule following.

Justin Draeger: Okay.

Allie Bidwell: But then again, I'm not in the position to leak something.

Megan Coval: Well-

Justin Draeger: But you know what? You've been on the other side, you've been a reporter.

Allie Bidwell: Yeah.

Justin Draeger: So you probably appreciate leaks.

Allie Bidwell: Yeah.

Justin Draeger: You would press people to leak.

Allie Bidwell: I wouldn't press people, but if someone was like-

Justin Draeger: Sharing.

Allie Bidwell: "Do you want this?" I would be like, "Sure."

Justin Draeger: Okay, so as a reporter-

Megan Coval: I have been tempted, I take it back, yeah.

Justin Draeger: Do you want to tell us when or no?

Megan Coval: No. I just know the feeling of, "Oh, I really want to tell you this, but I can't."

Justin Draeger: Okay. Why would somebody leak? What are the reasons? And where I'm going with this is that one of the most fascinating articles I've read in the last week and a half came from Axios, they're kind of new on the scene, right? This is the guy-

Allie Bidwell: Mike Allen.

Justin Draeger: Yeah, from Politico and came over and started this new ... And I swear, they get so many scoops. It is almost like they have a line directly into the president's office.

Allie Bidwell: I mean, I think he's probably one of the most well-connected people in D.C., so it's not really surprising.

Justin Draeger: I guess it's not surprising, I guess what I'm surprised about is every administration has leaks, but this administration, like something can happen an

hour ago and it seems like there's a leak. Like, people are literally walking out of the president's office and leaking. So, why would somebody leak?

Megan Coval: Strategy.

Allie Bidwell: Inner moral conflict.

Justin Draeger: Okay. Like, something's going down and they're like, "I don't agree with this-"

Allie Bidwell: Yeah, like if they know it's wrong.

Justin Draeger: So, a good example might be this last week, Cohen, former Trump attorney, somebody leaked out about all these government payments that he found were redacted in the government paperwork that was being sent over to Justice. So, they actually leaked it out to the press and then the press all reported on it.

Justin Draeger: So, these government payments and corporate payments were going to ... Now, I don't know anything about the legality of it, I'm not a lawyer, I'm just saying that was an example where somebody was like, they felt morally conflicted and so they leaked them to the press. And then they told Axios that the reason was because they felt like they were afraid that it wasn't gonna be disclosed like it should have been.

Justin Draeger: Okay, you said strategy.

Megan Coval: Yeah. I just think sometimes-

Allie Bidwell: Political maneuvering.

Megan Coval: It's political, yeah. So, "This is a confidential meeting, wink." You know? You're going to leave here and leak it.

Justin Draeger: Okay. I can get on board with that.

Megan Coval: And that has happened, right? With certain things, I feel like-

Justin Draeger: But now is that a leak? Are you saying the president, or whoever's in the room, authorized the leak and it was leaked?

Megan Coval: Yeah, or kind of like, you're going to act like this is a leak, in that you're giving away ... You know.

Justin Draeger: So we don't have be-

Allie Bidwell: Even with the PROSPER Act, it was leaked to *The Wall Street Journal*.

Justin Draeger: Well, right.

Allie Bidwell: Ahead of time.

Justin Draeger: They were given a head's up, an exclusive. Yeah.

Megan Coval: Yeah.

Allie Bidwell: Yeah. So not so much a leak, but ...

Justin Draeger: But a strategy.

Allie Bidwell: Yeah.

Justin Draeger: They didn't put it out before it was released publicly. One of the other reasons that Mike Allen cites in his Axios article is personal vendettas.

Megan Coval: Yeah.

Justin Draeger: Now, of course these are all observers, right? But they were saying in the White House, this White House in particular, there seems to be a lot of collisions and disagreements. I think President Trump has been pretty forthcoming about that's how he likes his teams to operate, which creates a little bit of chaos, but a lot of friction and so people are tempted to leak as a personal vendetta against somebody.

Justin Draeger: So, a good example would be this person who made the terrible joke about Senator McCain.

Megan Coval: Yeah.

Allie Bidwell: Yeah.

Justin Draeger: Right. Okay, so that was terrible. It got leaked within like, hours of somebody making that comment-

Megan Coval: Yeah.

Justin Draeger: In a closed room meeting.

Megan Coval: Yeah.

Justin Draeger: Now what purpose would there be to leak that except a personal vendetta against that person?

Megan Coval: Yeah. And these people obviously, I shouldn't say obviously, but it makes me feel like they don't have a cohesive, this is sort of what you just said, or team or trust. I'm just thinking, even with people that you know really well and you work with. Every now and then, somebody says something where you're like, "Oh, I

don't know about that," but you would never go throw them under the bus because if you valued where you worked and trust and things like that.

Justin Draeger: Yeah like how can you ever have a conversation if you feel like whatever you say is about to be leaked. The official from the White House who was talking to Axios, who is one of the leakers, called that a "Mexican standoff." It's from the old movies where everybody's pointing a gun at everybody else.

Megan Coval: Yeah.

Justin Draeger: And so, it's just who's going to fire and then everybody fires and everybody leaks against everyone else. But-

Megan Coval: But he must- oh, I'm sorry.

Justin Draeger: Go ahead.

Megan Coval: He must, and this gets into journalism basics, but he must protect his sources. Mike. Because he must be very loyal in that way, right? Because he's got so many people that come to him, so he must have never messed up in terms of giving away where it came from or he would lose that.

Justin Draeger: So, yeah. One of the lines in the article is, "This White House leaks so much that meetings called to bemoan leaks begin with acknowledgement that the bemoaning will actually be leaked. Which is then promptly leaked." So, they're just saying it's very leaky. Like I said, every administration leaks. What's also interesting about this article is they go into histories of how administrations deal with leakers and the Trump administration has sort of flirted with the phrase, "They're traitors."

Justin Draeger: But the Obama administration also tried to clamp down on leaking and sort of pushed the press away as a punishment for a short time. George W. Bush did it. But the one they said, the one administration they said that most successfully, maybe, dealt with leaking was the Clinton administration. And they had a lot of leaking and this is back in the day when President Clinton's wife, Hillary Clinton, was working on healthcare. And so, they would be trying to have very discrete conversations about trade-offs and then it would be leaked out into the press and then people would rally and they were supposed to be having off the record conversations, try to reach a compromise. And Leon Panetta, who was in the Clinton administration at the time said ultimately, they looked at wiretapping, and monitoring, and planting information with people to see who would leak it. And they ultimately decided, "Forget all that, we can spend a lot of resources on that. It really comes down to a cohesive team." You have to have a team. And so ultimately so the leaking stopped when they started focusing on the team.

Justin Draeger: Anyway, I find this whole thing super fascinating. For folks that don't know, when you go out and talk, I invite people to stop by the NASFAA offices. So, if

they're in D.C., we're at 1801, we're two blocks from the White House. We had some people stop in last week. Were you here for ...

Megan Coval: I was here, yeah.

Justin Draeger: Okay, yeah. How'd they like the tour?

Megan Coval: They liked it, yeah. And it was a perfect example, I think, of just what you said, what we invite people to do. They were actually from Washington State, they were here for something else.

Justin Draeger: Yeah, and they just stopped in.

Megan Coval: And they just said, "I remember somebody said we could come by."

Justin Draeger: I love it.

Megan Coval: Yeah. It was awesome.

Justin Draeger: Great. All right, we've got a lot of things to talk about today. First is the House is getting very aggressive, which they're about to go out for two weeks, right?

Megan Coval: Memorial Day week, that Memorial Day, that week.

Allie Bidwell: They leave at Memorial Day.

Justin Draeger: Oh, so they'll be back in next week and then they're off for two weeks.

Megan Coval: Mm-hmm (affirmative).

Justin Draeger: Okay, so apparently, they're ramping up for what they are saying is going to be a very busy legislative session here over the summer. It's fair to say it's been pretty sleepy, right?

Megan Coval: Mm-hmm (affirmative).

Allie Bidwell: It has.

Justin Draeger: Lot of action, lot of talking, not a lot of bills of significance being passed. So, right now though they're working on appropriation bills. So, they're gearing up for all of that and it looks like we might see some appropriation actions on some of our stuff in June. So, they're gearing up for appropriations, they're trying to pass this massive farm bill. They want to look at welfare reform, which is part of their "Better Way" agenda. They're also talking now about infrastructure projects. They want to take up the ... what is it? Five billion dollars is that what their rescission package ended up being? Five billion dollars?

Megan Coval: Yeah five-point-something.

Justin Draeger: They want to do the rescission package. They want to do a banking bill overhaul from the Senate that the Senate sent over.

Megan Coval: VA.

Justin Draeger: Yeah, they want to do VA reform.

Megan Coval: Defense re-authorization.

Justin Draeger: I mean, they're not gonna do all this.

Megan Coval: No, but what is it? What is all this?

Justin Draeger: What do you think it is?

Megan Coval: It's midterm election, it's flurry, it's we're busy, we're doing things, we've got stuff on the calendar. We're working.

Justin Draeger: But you don't think-

Megan Coval: Right?

Justin Draeger: They would-

Megan Coval: And that's not a ... I think that's typical for any midterm year with anyone in power. I not trying to...

Justin Draeger: If laying down plans was your pathway to reelection, I guess that makes sense, but they clearly know hardly any of this is gonna actually happen. And even if it passes the House-

Allie Bidwell: And it's not enough to just say this is what we want to do and then not do it.

Justin Draeger: You would think that would actually count against people if they said, "We wanna do all these things." And they don't do any of that.

Megan Coval: But it's easy to point the finger then, right? Cause I wanna do all these things, I'm gonna get them to the floor. I can't get them passed, there's opposition from the Democrats, it's the Democrats that are bad. They won't let me do this thing.

Justin Draeger: Yeah.

Megan Coval: Right?

Justin Draeger: I guess. So they threw everything and the kitchen sink into this legislative agenda. Like everything.

Allie Bidwell: Except...

Justin Draeger: Except, right? This is the big one. Well there's two, but the big one that I'm looking at is the HEA. The PROSPER Act. It could have been just a slight omission, but when I look at everything else they've mentioned. Prison reform...There isn't anything they haven't put in there.

Megan Coval: Yeah.

Allie Bidwell: And those are big issues, too.

Justin Draeger: Yeah.

Allie Bidwell: So, there's just not room.

Justin Draeger: So, what do we take this to mean? What do you-

Megan Coval: Yeah, I just think, inaction. I think we hear different things from the community and the folks on the Hill, and I do think that Chairwoman Foxx would still like to see this bill come to the floor, and I believe that she's working on that. And the way you work on that is you really push on individual offices, who have indicated that they're going to oppose. Why are you going to oppose? Is there anything I can do to make it better?

Megan Coval: I think that stuff is happening, but I just don't know that the votes are there. And maybe that's a reason why HEA isn't on that list.

Justin Draeger: Right.

Megan Coval: We've heard there's some concern over, are the votes there?

Justin Draeger: Specifically around Public Service Loan Forgiveness. I think that's-

Megan Coval: PLUS.

Justin Draeger: Yeah, PLUS is a big issue

Allie Bidwell: But then again, this list isn't set in stone. Right? It's just like a road map. So, if between now or whenever-

Megan Coval: Yeah.

Allie Bidwell: They were able to muster up the votes, they could add HEA, right?

Justin Draeger: Absolutely, I think you're right, Allie.

Allie Bidwell: Yeah

Justin Draeger: I guess I'm just wondering when you have the leadership come out and say these are the 15 things we wanna do-

Allie Bidwell: Yeah.

Justin Draeger: And they don't include PROSPER, I'm like, "Why?"

Allie Bidwell: Not in the top 15.

Justin Draeger: I don't know, was it like I just forgot? Or Chairwoman Foxx has been the biggest advocate for her bill.

Megan Coval: She's tenacious.

Justin Draeger: There's no way the leadership doesn't know she wants this bill on the floor.

Megan Coval: Yeah.

Justin Draeger: She's been very open and spoken out about this bill getting on the floor.

Megan Coval: And I don't know ... I just don't know enough about these other policy areas to what kind of concerns exist with some of the proposals that are out there. With those ones? I'm just wondering with HEA if it is in fact so controversial, they just don't even wanna have people vote on it. In a mid-term year. If they would like to leave constituents with a feeling, the last thing that their member did on higher ed, was pass an appropriations bill that increased funding for almost all the programs.

Justin Draeger: Which conceivably could happen again for 2019-20 because of the budget caps being increased.

Allie Bidwell: Yeah.

Megan Coval: But I don't think she's ... I mean, I believe that she will continue-

Justin Draeger: Push

Megan Coval: Working this. I think she really believes in it.

Justin Draeger: So, we could definitely see it. But the leaders didn't mention it at least. The second thing though that this sort of leaves hanging out there, is immigration reform and more specifically DACA and Dreamers. Last week we talked of ... what'd you call it?

Allie Bidwell: The Queen of the Hill.

Justin Draeger: The Queen of the Hill. Which is using-

Allie Bidwell: Formally a discharge petition.

Justin Draeger: Yeah, which if you have enough members-

Allie Bidwell: You can force a floor vote.

Justin Draeger: Without the leader-

Allie Bidwell: Yeah

Justin Draeger: Putting it on the floor, calendar.

Justin Draeger: Right now, we've had two more Republicans that have just joined the effort to get DACA at least on the floor without the speaker, Republicans leadership's permission. That means with ... if you count all the Democratic votes plus the 20 Republicans, we're five votes away from circumventing the Speaker of the House and getting something on DACA on the floor.

Allie Bidwell: And they need 218 total, right?

Justin Draeger: Yeah. The breaking news is just this last week on Wednesday night apparently Republican Caucus met, so you had the Speaker, you had Kevin McCarthy, who might be next in line for Republican leadership in the House. They all got together with their caucus and apparently the leadership were trying to dissuade their colleagues from pursuing this through the discharge process, the petition process.

Justin Draeger: I don't know if it'll be successful or not, but I think that this is such a widespread and had become sort of a non-partisan issue that, I think that there are a lot of Republicans who are feeling the pressure to do something on DACA at home.

Justin Draeger: And so, it's sort of like, I have a local election to win-

Megan Coval: Yeah

Justin Draeger: I can't worry about exactly what The Speaker's priority ... so the way that the leadership was telling it was supposedly, look we should just do this through regular order and do immigration reform. Not do a one off on DACA.

Allie Bidwell: Yeah. They've been saying that for months.

Justin Draeger: Right. Well. And they've only got so many weeks now before the election. I don't know.

Megan Coval: Yeah, I don't know. So, wait this happened in what in September? August.

Allie Bidwell: The-

Megan Coval: President Trump announcing that he was going to-

Justin Draeger: It must have been September?

Allie Bidwell: September. It was Labor Day weekend, I remember 'cause I was in a car when it happened.

Justin Draeger: And everything broke loose.

Megan Coval: Okay back to my comment last week about Allie having a steel trap. Yeah so, I don't know, I think I just naively thought it would be fixed by March. The deadline the March 5 deadline.

Justin Draeger: Well I agree, and it's just that when the deadline came and went you had court cases that are now going in favor of continuing DACA.

Megan Coval: But this week, the LA Times did a piece, I think, on DACA recipients or people who would be eligible, and so I think, Justin, you pulled some of these stats. But they said that more than 9,000 people formerly protected by DACA already have lost their status and are now at risk of being deported.

Megan Coval: And this one, I thought was interesting. More than 59,000 applications came in during February and March and only 32,000 of them were approved. We actually signed on to a letter about a month or so ago on this over to Justice, saying please review these applications quickly 'cause we've heard there's some delay or potential feet-dragging. I think that number sort of illustrates that.

Allie Bidwell: Is it just that those ones were approved and the other ones were rejected? Or that they haven't gotten to them yet?

Megan Coval: I don't know. That's a good question.

Justin Draeger: The other piece about this that we can't quite count is another article in the news this last week talking about the number of DACA students who were up for renewal and just didn't renew, partly because they are now afraid of handing their information back over to the government. They're sort of just like falling off. Afraid to renew, afraid to give their information because they're afraid that if this program ends, they'll be sought out.

Justin Draeger: It's not a good situation. I don't know. We will continue to ... there's a broad community, a very large group of support will continue to press along with all of our friends and colleagues in the advocacy community.

Justin Draeger: Moving on, this last week seems like there's been some more reorganization or dissolution...

Allie Bidwell: Yeah a little bit of both at the Department. *The New York Times* came out with a story this week laying out from people who are currently on this team or former members of this team, the Student Aid Enforcement Unit. That's basically being dissolved and having their priorities reassigned. This was formed back in February of 2016 sort of after-

Justin Draeger: The waning days of the Obama Administration.

Allie Bidwell: Yeah, yeah. It was housed under FSA and it consisted of four units, it originally was led by Robert Kaye who used to work at the Federal Trade Commission, the FTC. Their four focuses were on investigations, borrower defense claims, administrative actions and appeals, and then compliance with the Clery Act.

Allie Bidwell: And then President Obama also asked for \$13.6 million in his 2017 budget proposal. But the thing was that this gonna happen with or without that funding. They were gonna make it happen with existing resources. Initially, John King Jr., who was the education secretary at the time, said that the initial group was gonna consist of more than 50 current ED employees.

Allie Bidwell: What *The New York Times* reported was that since then, these folks who were on the team said that they've been marginalized, reassigned or instructed to focus on other matters. The team at one point had expanded to include lawyers and investigators and then dwindled down. At the same time, when Secretary DeVos came in she changed the leadership of that group, I believe Robert Kaye left.

Allie Bidwell: And then Julian Schmoke, who was a former dean at DeVry and he worked there from 2008 to 2012. Took over in August 2017. Now only three employees work on that team, apparently.

Justin Draeger: So remind me, the team, was it specifically to look at for-profits?

Allie Bidwell: No, that's the thing, it was broadly, it was investigations into any sort of fraud, abuse, things like that.

Justin Draeger: It seems like it's being portrayed as a for profit-

Allie Bidwell: Yeah, it was not ... in action, that's how it ended up playing out because they were investigating DeVry, Bridgepoint, and Career Education Corporation. All big for-profit chains but when they set out it was just investigations broadly.

Justin Draeger: I remember when they-

Allie Bidwell: They made a point of saying that.

Justin Draeger: Yeah when they announced the formation, I do remember us being like, who ... I just remember being a little bit confused and concerned about.

Allie Bidwell: Do you want your quote?

Justin Draeger: Oh, do I have one?

Allie Bidwell: Yeah

Justin Draeger: Yes, well read it. What did I say?

Allie Bidwell: At the time Justin Draeger said-

Justin Draeger: Where was this from?

Allie Bidwell: My story.

Justin Draeger: Oh great. Okay.

Allie Bidwell: Yeah. "Going after bad institutional actors in the student aid programs is good for everyone, including all of the other institutions that are complying with Federal rules and regulations. We commend the Department for taking action to protect students and taxpayers against fraud and deception." You added, "There are still many questions and we look forward to seeing them answered as the enforcement unit comes to fruition."

Justin Draeger: Yeah. I think it was the many questions part where a new enforcement unit, who were they going to be looking at?

Allie Bidwell: Yeah.

Justin Draeger: We've always sort of said, we have to take care of our own house a little bit here. We can't stand for any fraud or abuse or deceptive practices. That's part of the reason we have our ethical standards and now a code of conduct which is very specific about what schools can and can't do with consumer disclosure. So, we don't defend that, we can't defend bad practices.

Allie Bidwell: Yeah. All of those investigations that were happening are sort of fizzled out, I guess.

Justin Draeger: You said there was three people in the department, in that department now?

Allie Bidwell: Yeah, there's only three people-

Megan Coval: Mr. Schmoke is still there?

Justin Draeger: No, he's-

Allie Bidwell: Mr. Schmoke is still there. What they're doing has been scaled back now to processing loan forgiveness applications and looking at smaller compliance cases. The reason for that ... Elizabeth Hill who's the spokeswoman for the department said that the reduction was due to attrition and that conducting investigations is only one way that the team contributes to their oversight efforts at the department.

Justin Draeger: Okay. Speaking to the attrition though, I don't know that those positions are being filled and that's across the government board.

Megan Coval: Yeah

Allie Bidwell: Yeah.

Justin Draeger: I mean, people might leave for whatever reason. They don't necessarily have to be pushed out, but—

Allie Bidwell: It's been a choice to not fill them.

Justin Draeger: If you don't fill the positions then, yeah. You've gutted the department.

Justin Draeger: Okay, thank you. So, we'll have to keep our eyes on that. Also, a new report that came out from New America this last week on PLUS Loans, which I think will generate a lot of interest amongst our members.

Allie Bidwell: Yeah, so this was specifically on Parent PLUS loans and the impact that it's had on the racial wealth gap for black families. Parent PLUS load were originally intended for middle and upper income families, right?

Justin Draeger: It was supposed to be for families that didn't have the cash. Like you didn't have cash but you could afford to take on some debt. And so you -

Allie Bidwell: Yeah, but not for like the lowest income.

Justin Draeger: No

Allie Bidwell: So, it's just like a very complex web. Grant-based financial aid hasn't kept pace with the cost of college. States are not investing as much money so then these low-income families a lot of them actually with zero EFC's ended up taking out Parent PLUS loans and they don't really have the ability to pay them back.

Allie Bidwell: Just getting into all kinds of issues with that including back in 2010 when they made that credit change that really effected HBCU's. It turned out that when you broke down the data by race, with white families as your adjusted gross income increased the share of borrowers who had taken out PLUS loans increased. So more of the wealthier families were taking out PLUS loans. It was the exact opposite for black families, and the same thing with EFC. There was

almost a third of black families with a zero EFC who had taken on Parent PLUS loans.

Allie Bidwell: And they just tied this back to how it's not entirely due to the Parent PLUS loan program but just all of these throughout history, these systemic-

Justin Draeger: Racial issues.

Allie Bidwell: Inequities. Yeah. Like housing discrimination and things like that. They can't get out of segregated neighborhoods. They're in underfunded K-12 public schools. Can't get to the prestigious wealthier colleges that have more money to give them in financial aid and so on and so forth.

Justin Draeger: Yeah, it's a perpetuation of this inequality and there's no way to really describe this except just regressive. I guess I'm not happy to say it, but was very predictable. If we go back to 2013, that's when ... in that year we testified in front of the House Education and Workforce Committee and we were taking specifically about loans. In the testimony that I gave we talked about this very situation. We said additionally, more can be done to protect parent borrowers from over borrowing. Since the recession more schools are reporting incidences of parents objecting to their own Federal PLUS loan approvals because their income is insufficient to repay the debt.

Justin Draeger: Current PLUS loan underwriting standards simply examine whether a parent has any adverse credit without considering a parent's ability to repay the loan. We called for changes in underwriting back then. Then in that same year we also had an NPRM come out from the Department of Education on PLUS loan underwriting. This was in response to the mix-up where they had changed, correctly, they had changed the underwriting standard-

Allie Bidwell: To match direct loans.

Justin Draeger: Yeah, to match FFELP loans.

Allie Bidwell: FFELP loans.

Justin Draeger: That's right. But the way they did it was so boneheaded that people who had been receiving a PLUS load then just got cut off without any warning.

Megan Coval: Yeah.

Justin Draeger: So, it was the implementation that was the problem. We didn't object necessarily to the stricter underwriting. In our response on NPRM when the proposed rule came out we actually said that we supported the department's ... their efforts to define adverse credit history but we wanted it done in a way that first differentiated between Grad PLUS and Parent PLUS. There's nothing in the law that prohibits them from doing that because on the Grad PLUS side they are

enhancing their earning potential. On the parent side, you are not enhancing your earning potential. You're enhancing your child's earning potential.

Justin Draeger: Again, we repeated on the parent side that they would benefit from some debt to income or other types of ability to repay metrics. So here we are, five years later, this is not a surprise.

Allie Bidwell: Yeah.

Justin Draeger: We've been seeing this for years that there are folks getting approved for Plus loans without consideration as to their ability to repay and ultimately, it's regressive and puts them further behind the wealth gap.

Allie Bidwell: That was one of suggestions too that was in the New America report. Make some kind of ability-to-repay metric. And as you know, also really quickly, so we don't have to re-record this whole section, that I misspoke and the change was in 2012, not 2010. I was thinking of when they made the switch to direct lending.

Justin Draeger: Yeah so in 2012 is when they implemented the credit switch to match FFELP without telling anybody.

Megan Coval: Yes.

Justin Draeger: And then everybody got denied and that kicked off negotiated rulemaking and an apology from the Secretary to HBCU's who all of a sudden were revenue strapped because none of their parents could get PLUS loans and this is a web of a mess.

Megan Coval: Yeah, and if I'm remembering correctly, I feel like the position that we had, we were kind of out there in the community, I think, as one of the only people that were taking that position, of maybe having a little stricter underwriting criteria. And it is tough because it has become an access tool and so if you're on the side that we were ... I mean the other side is, well if you call for that you're gonna reduce access just like what happened whenever they tweaked it. It tough and then there's-

Justin Draeger: It is tough-

Megan Coval: Racial and equality issues.

Justin Draeger: Yup. I think what we were saying was, which people called unrealistic was we were saying then you should subsidize with grants or other forms of no loan policies or programs. That might have been unrealistic particularly when you're coming out of the recession-

Allie Bidwell: Yeah, less so now.

Justin Draeger: Yeah. I just think we see a regressive policy and underwriting doesn't just protect the tax payer it also would protect the borrower because it looks at your ability to repay. If a lender won't give me money, barring that it's just based on discrimination, if we're saying it's not that. If they're not giving me money because they calculate that I don't make enough to repay it that also in some way protects me.

Allie Bidwell: Yeah. One of the solutions in the New America report was if added an ability-to-pay metric and the parent gets denied, you then allow the student to borrow up to the independent student limit which replacing a loan with a loan isn't ideal but they have the protections that PLUS loans don't have. Or another one that she said was having a double Pell Grant for students of color with a zero EFC, or giving more funding to schools that are helping-

Justin Draeger: Yeah-

Allie Bidwell: The students.

Justin Draeger: Yeah. I think it's gonna be hard in this fiscal environment for us to keep getting grants, but I will say underwriting to me fixes at least part of it. It's not ideal to replace a loan with a loan, but it's better to not put a parent who can't repay a loan into debt than to give the loan to the student.

Allie Bidwell: In debt without a safety net.

Justin Draeger: This actually feeds right into a conversation we had on Capitol Hill yesterday. Some of the racial inequalities that exist and we looked at specifically the intersection of that with some of the accountability proposals that are being made. What to catch us up Megan?

Megan Coval: Yeah, so we had a forum event yesterday which is where we gather different stake holders throughout the community and pick an issue, a policy issue to discuss and yesterday we talked about higher education accountability with a particular focus on, as Justin, as you said, some of the recent proposals that we've seen regarding risk sharing and skin in the game. I think the way that we really focus in on it was looking at the impact of accountability on access and civil rights.

Megan Coval: So, if we impose some of these things on schools like having them pay back a portion of their defaulted dollars, or the risk sharing proposal in the PROSPER Act that modifies the R2T4 process. Who does that actually hurt, right? And ultimately it's the most vulnerable students and the most vulnerable schools. We spent yesterday morning really unpacking that and we heard from Dr. Nick Hillman who's at University of Wisconsin—Madison and he actually was just a co-editor on a book, "Accountability and Opportunity in Higher Education: The Civil Rights Dimension," that looked at this exact issue. Then we had a panel discussion of another faculty member and then practitioner Zita Barree from

Hampden-Sydney College so that we could talk really more about some of the specific impacts that would happen on campus, if some of these proposals were enacted.

Justin Draeger: Shout out to Angela Johnson who was also supposed to join us, couldn't get out of Cleveland because of the storms rolling through the Northeast, but it was a good conversation I felt like. Nick off the bat shared some what I felt like were really telling charts about some of the inequalities that exist not only in higher ed, but post higher ed, even for graduates. He just aggregated even earnings after a degree by race and you could see that minority students just weren't catching up on average.

Justin Draeger: The whole idea, big idea around accountability is that you can somehow leverage through punishment, maybe through carrots, schools to be better, but by doing that you actually end up hurting the schools with some of your most underrepresented students which just exacerbates an existing problem.

Megan Coval: Yeah

Justin Draeger: Okay, after yesterday's forum do you feel more or less optimistic that there is a pathway forward on accountability?

Megan Coval: I think, less.

Justin Draeger: You feel less.

Megan Coval: Yeah,

Justin Draeger: Because why?

Megan Coval: Because I just ... I don't think it's impossible but I think in order to get it right we'll have to do a really, really deep dive that will have hundreds of different prongs depending on where you ... input adjusted metrics depending on where you are and I think it can impact every school so differently.

Justin Draeger: One of the things that Anne-Marie Nunez from Ohio State, formerly from UT San Antonio, talked about was ... she sort of suggested that schools ought to be benchmarked against themselves not against a national benchmark per se.

Justin Draeger: That was the one pathway where I was like, maybe I could see something like that. But if the carrot or the stick is somehow penalizing or cutting the very schools that are serving the largest number of low income, underrepresented population, then we'll have at the end of this made this situation worse, not better.

Justin Draeger: I don't know if I feel more optimistic or less but I agree with you 100 percent which is to get this right you're gonna need a lot of different tentacles and the

more tentacles you put into a law, like the HEA's only being updated now once every 10 to 12 years. Whatever we get in the law you have to live with for a long time.

Megan Coval: Yeah and the one thing I thought that really struck me, so you mentioned Angela couldn't come but she did send some remarks and her perspective was gonna be from open access institution community college. With the risk sharing proposal in the House, when we went up there and originally talked about it, one of the things one of the staff said to us was that we believe that if we put something like this in place it will finally force institutions to start providing some support for their students.

Megan Coval: Angela, in her remarks from a community college perspective saying, "This provision is going to cost our schools so much money. We don't have a big endowment so where's that money gonna come from? From the support that we have for our students." So what a mismatch there.

Justin Draeger: Yeah, like they can't ... they might increase costs to pay for this provision, but they can't because the state restricts how much they can ... it's cutting the very programs-

Megan Coval: Yeah, the exact thing you want them to do, they're gonna be less able to do.

Justin Draeger: The thing Zita Barree also shared was just over 50 percent, 53 percent I think is what she said of the students who withdraw at her institution withdraw for medical reasons. Something the college cannot ... I mean, they can do nothing about that.

Megan Coval: But if anything, and I think I said this in the end, I think the goal here of this forum was to just really shine a light on the fact that this is not a cut and dry, black and white issue and I totally took that away from yesterday.

Justin Draeger: Yeah,

Megan Coval: I'm hopeful other people did.

Justin Draeger: It's complicated

Megan Coval: Yeah

Justin Draeger: I think it did and the audience was engaged, they asked a lot of questions, the Hill staff were engaged. I didn't see anybody leave early.

Megan Coval: No, nobody threw their table up.

Justin Draeger: As usual at our policy events.

Megan Coval:

"I'm outta here." No, yeah. No, I'm just kidding. I thought it, yeah...

Justin Draeger:

Yeah but it went well. Okay thanks for joining us. Remember to subscribe, tell your friends, talk to you again next week.