

# NASFAA's "Off the Cuff" Podcast – Episode 233 Transcript

OTC From the Field: A Conversation With Under Secretary James Kvaal

Hugh Ferguson:

Hey everyone. This is Hugh Ferguson with our communications team. We have a special episode of "Off The Cuff" for you this week. As many of our members know, we've been hosting our annual national conference here in Austin, Texas. During Monday's session, Justin sat down with the department of education's undersecretary, James Kvaal. And we'd like to share that conversation with our members. So for those who are not able to attend, we hope this conversation gives you a little glimpse into our activities throughout the week. If you're interested in learning more, be sure to check out our recent additions of TN as well as our NASFAA 2022 news articles. Now, to Justin.

Justin Draeger:

Good afternoon.

Group:

Good afternoon.

Justin Draeger:

Oh boy. Good afternoon.

Group:

Good afternoon.

Justin Draeger:

Thank you. How was lunch? Did you find somewhere good?

Group:

Yeah. [applause].

Justin Draeger:

Welcome back for our afternoon plenary session. Joining me on stage today is the undersecretary of education, James Kvaal. Some of you know, James, he's actually been on a NASFAA stage previously, several years ago now, and we're glad to have him back with us today. James is the former president of The Institute for College Access & Success known to many of us as TICAS. He served in the Obama Administration. He was the deputy policy advisor with the Obama Administration and a former political appointee at the US department of education. James has taught at the University of Michigan. Wow. James taught at the University of Michigan.

Group:

Woo.

Justin Draeger:

Now wait a minute. We don't have that many U of M folks here. And he's a graduate of Stanford. Oh boy. And Harvard law.

Group:

Woo.

Justin Draeger:

All right. I would just say personally, James has been a friend and colleague to this community. James has always been forthright with this community and has been sympathetic and empathetic to what we experience on campus every single day. One of the words I would use to describe James is a pragmatist. That is how do we wed idealistic policy with pragmatic implementation. And we'll talk a little bit about that today. So please join me in welcoming James Kvaal. So James, I think if there's an elephant in the room, we should just address it. Is the administration forgiving student loan debt? And if so, how much?

Group:

Woo.

James Kvaal:

It's a rowdy crowd here?

James Kvaal:

Well, Hey everybody, thank you for letting me come back to NASFAA. This is gonna be fun. I'm sure. And I really appreciate the partnership with financial aid professionals. I'm always impressed by what an idealistic group it is. You all do your work for the right reasons. Very, very knowledgeable and very, very helpful to those of us at the department of education and trying to achieve our shared goals. In terms of loan, cancellation, broad based cancellation for everybody is something that we're looking at. I don't have any new news. It's something we're continuing to analyze. But while we're looking at that, we've been working very hard to make sure that students who are already eligible for loan forgiveness for one reason or another, get the benefits that they're entitled to. And one of the things we found when we got there was students who are eligible for close school discharge, for disability discharge, for borrow defense discharge, for Public Service Loan Forgiveness. Most of them were not getting it.

James Kvaal:

So for example, we had 350,000 people over at the social security administration who were getting disability benefits by virtue of that medical exam. They were eligible to have their student loan forgiven as well. We changed the regs to make sure that process was automatic. Public Service Loan Forgiveness, we've increased the number of borrowers who're benefiting from that from 7,000 when we took office, to now, 145,000.

Group:

Woo.

James Kvaal:

And we could actually use all of your help on that, because there's still a lot of people eligible who have not applied. So across the board, we've canceled now 1.3 million borrowers debts just by better carrying out the laws that were already on the books.

Justin Draeger:

Yeah, I think that does deserve some applause. Last Friday, the department of education released some data about the waiver for Public Service Loan Forgiveness. Let me ask in the audience, how many of you know a student, or other borrower, or yourself, benefited from the waiver with Public Service Loan for... By applause, because we can't see. I think last Friday you were up to \$8 billion in loan forgiveness. This was a program that where 90, almost 99% of people who thought they were receiving Public Service Loan Forgiveness were not, a pretty high denial rate. Can you talk a little bit about why this has been such a priority for the administration?

James Kvaal:

Yeah. Well, so, president Biden has paused student loan payments and interest. His extension of the pause has saved a typical borrower, \$4,400 so far. And it's also given us a little time to focus on some of the fundamental challenges and how the programs were operated at the department. And the challenge of people getting the benefits that they're entitled to is near the top of the list. Now Public Service Loan Forgiveness, it is a grand promise to people who take out debt. They go to college, they wanna give back to their community, to their country. And we told them we'd help them with student loans. But this program was poorly designed and poorly implemented. People had the wrong type of loan. They were in the wrong repayment plan. Many say they got bad advice from department contractors.

James Kvaal:

And so we felt like we really needed to make sure this program was living up to its potential. And so we have done a temporary waiver under the emergency authority that we have, and that is in place through the end of October. Everyone employed by a college or university that is nonprofit or that is public is eligible. And many of your alumni I imagine are eligible as well. We need people, in particular, people who have the old FFEL loans need to apply before the end of October. So whatever you could do to help us get the word out on that. We are benefiting hundreds of thousands of borrowers, but we know there are many more that we haven't reached yet.

Justin Draeger:

All of the reasons that you just gave. I think you would find widespread agreement here. A great idealistic idea that just in terms of design and implementation met a lot of roadblocks. All of the challenges you described though will also exist on the other side of the temporary waiver expiration. So what are the odds that these changes can be made permanent by the administration or at the very least can be extended beyond October?

James Kvaal:

Well, we're looking at that. And some of the changes we think we may be able to address with regulatory change, which you all know is a very long and cumbersome process for us, but we are looking at improvements to Public Service Loan Forgiveness. The most challenging aspect for us, there's a set of criteria around the loan are when were the payments made, what plan? And then, there's a set of criteria around the employment. So we know what we need to know about the loan. We don't know

anything about borrowers employment. We don't even know more beyond a ballpark guess, how many people are out there that are in eligible jobs.

James Kvaal:

So similar to what we are trying to do for disability and some of the other areas, we need to work toward making this process as automatic and as smooth as possible for borrowers. So we are working now on a data match with office of personnel management and the department of defense, which are the two big federal personnel agencies, which would allow us to automatically credit people's federal service toward PSLF. And then once we have that in place, we would love to expand the number of partnerships we have so that employers can apply on behalf of all their employees. Instead of making people go through all of this paperwork multiple times, over a 10 year job.

Justin Draeger:

With Public Service Loan Forgiveness, one of the things that they have to do to be able to take advantage of the waiver, if they have loans that aren't direct loans, they need to consolidate. The consolidation timeline itself can be pretty lengthy, months, if you're trying to gather all of your information and initiate the consolidation before it's actually completed. Would that be reason enough alone to look at people who have initiated but haven't actually completed the consolidation by the time the waiver's done?

James Kvaal:

Well, we're gonna do whatever we can to give as many people as possible, the opportunity to benefit from this. But my advice would be to do whatever you can to help people start this process now because that's a sure bet if they can get going now.

Justin Draeger:

With each and every round of forgiveness that you've offered for backlog students who haven't been adjudicated on borrower defense for years. Or, students who thought they were on track for PSLF and ultimately weren't. With each and every one of these, there's also been policy proposals from the administration. We have new borrower defense regulations. We just did some negotiated rule-making that'll impact Public Service Loan Forgiveness and income-driven repayment. When the conversation is on widespread debt forgiveness, it doesn't seem that there are an accompanying set of policy reforms that are coming with it. Is the administration, as you weigh thinking about widespread debt forgiveness for all federal student loan borrowers, also thinking about the reforms that would need to come with that so that we don't find ourselves in the same position in 1, 5, or 10 years down the road?

James Kvaal:

Well, I think that what has become clear in the last few years is that we need to really fundamentally rethink how we finance college. Agrees with that.

Justin Draeger:

Somebody check if that's a department of ed.

James Kvaal:

Can't be only one person who agrees with that. So student loans, for many of us, they help us enroll in college. They help us complete college. And are relatively small price to pay. But we also can't ignore the number of people who are really struggling with their loans, whether because they don't graduate, they get a low-quality degree. They are getting a degree and not really intending to pursue with the economic gain associated with that. They're getting a degree for another reason. And before the pause, we had a million students a year defaulting on their loans, and these are people who are not shirking their responsibility. We're talking overwhelmingly people who were first generation college, who were Pell Grant recipients, disproportionately, borrowers of color, and the consequences of loan default are quite severe. So we need to be thinking about, if we're all in this work, which I would guess we probably are, because we believe a college education is the route to upper mobility, and a better life, and equitable opportunity.

James Kvaal:

Then we need to deal with the fact that for a lot of students, loans are standing in the way of that. And for president Biden, he's outlined some very ambitious investments. Now these take the participation of Congress, but he's called for free community college, new scholarships at HBCUs and MSIs, double in the Pell grant by 2029. So all of those are part of a division for how do we make college affordable going forward? And it's not purely a federal problem. There's things that states can do. There are things that colleges and universities can do. But president Biden has put hundreds of billions of dollars on the table as part of a solution. And it's a very ambitious proposal. It is not an unrealistic proposal, it's included in his budget and you can show how you can do it within the confines of a budget that makes other investments and reduces the deficit. And hopefully Congress will see the wisdom of those investments. But in the meantime, we're gonna do whatever we can within our authority to make sure the programs we have work as well as possible.

Justin Draeger:

I want to pause for just a moment and we'll put up a slide in a second here. For those who want to submit questions, there is a way for you to go ahead and submit those. We've also been collecting questions from NASFAA members for weeks leading into this. And one of the questions that I've seen most frequently is, if the president using emergency authority does have the ability to waive widespread amounts of loan debt. Doesn't the president then also have the same authority to make changes to the loan program that would, for example, prevent negative amortization, or lower interest rates, or eliminate the student tax of origination fees? The question is where does the authority begin and end? And are there other things we could be doing besides wiping away debt now, but helping students now and into the future?

James Kvaal:

Unfortunately it's a more complicated question than that. And I don't want to get into the details of the legal analysis and you all probably wouldn't want all of that either. But I would say that there is a misconception that if the... It's like a black and white situation, the administration has the authority, they can do whatever they want, or they have no authority. And the way administrative law tends to work is, you have authority to effectuate, you have discretion, but it has to be consistent with the purpose of the statute. And it has to demonstrate a rational basis that a judge would agree that's a correct way to pursue that goal. So these things are not black and white. It does depend on which authority you're talking about and what is the goal of the policy. So anyway, that's not a satisfying answer, but that is the reality of what we live with. We have to color within the lines that are provided by Congress.

Justin Draeger:

So is it fair to assume... And this is a conjecture on your part, maybe as much as it is mine. Is it fair to assume though, given that reasoning, that even if the administration announces widespread debt forgiveness, there very much could be a legal question that still needs to be answered there, potentially in the courts?

James Kvaal:

We're working really hard on all of those questions, Justin. And I'm sure that if there is an action taken, it is taken after there's a conclusion that we feel very good about the legal authority.

Justin Draeger:

Let me move to a different question around the repayment pause. So we've had several iterations of the repayment pause, schools geared up over the winter, trying to get communications to their students about it. The administration felt that the time was needed to continue the pause. Can you give us some indication of where we are today? What should we be thinking about in August? What should schools be communicating to their borrowers?

James Kvaal:

Well, right now, we are expecting repayment to resume after August 31. This is something that we're continuing to assess. And we've made the decision in the past to extend the payment pause based upon the state of the pandemic, the state of the economy and where we are in recovering, and the emergency. And it's possible that we'll continue... We are continuing to monitor that as possible. We will make another decision, but for right now, we're all planning for August 31.

Justin Draeger:

Okay. Let me change for just a moment. One of the other things I'm curious about that might lead us into another topic or two is, from where you sit within the administration and having served in a previous administration. When you look at just the higher education ecosystem in this country, where would you rate us high and where would you rate us low? Where do we have work to accomplish?

James Kvaal:

I think there are a lot of fantastic things about our system of higher education. And when people talk about higher ed, as if it's the problem, I couldn't disagree with that more. I think higher education is the solution to the problems our country has. Some of our biggest challenges are helping more people move up into the middle class, creating equitable opportunities for everyone. Driving economic growth, not just in a few cities, but in communities across the country, in helping us understand each other across all the divisions in this country. It's hard to think of any institution that could do as much to address all of those problems as higher education. And the evidence does show that higher education often does equalize opportunities and gives people from all walks of life and propels them into a better life.

James Kvaal:

So there's a lot of benefits there. I think our system is broadly accessible and offers a lot of on ramps to people. And a lot of second chances. It meets people where they are. And our research universities are the envy of the world. They help drive economic growth, rise living standards, meet all manner of scientific challenges, including the COVID pandemic. So there's a lot to be proud of. I think when it

comes to trying to build on the system we have, I think trying to make sure that we are reliably moving people up into the middle class. That students graduate, that they get that job or whatever the reason was that they were pursuing that degree. That they can actually attain that goal and that they're not left without debt they can't afford. So I think those are the areas that we need to focus on now.

Justin Draeger:

So, where is the dividing line between... Where does the administration see and how do we figure out how we account for student responsibility, institutional responsibility on student outcomes? What do we measure? What do we hold schools accountable for?

James Kvaal:

I think that in the outcome of any individual student, that can be a difficult question to answer. But when you were looking at a question like, do most graduates of a particular program find themselves unable to repay their loan? I think that is a systemic problem. And when you look at places that are helping many more students graduate like Georgia State or the Cal State system, or there are more and more examples across the country, it becomes evident that our colleges can do more to help students succeed. That it's not just a question of the characteristics of the student, but it's also a question of the characteristics of the college.

James Kvaal:

That can be difficult to hear and to talk about, but at the same time, I think it's a great message of hope. Because if you look at the rising graduation rates across our country, college graduation rates are up eight percentage points over the last decade now, that's pre-pandemic. And you look at some of the places that are doing the hard work to look at data, to find out where students are struggling, to build campus cultures that create a sense of belonging and make all students feel welcome. You really do see places that have become engines of equity and upper mobility. So I think there is a lot of room for progress at a systemic level, as well as at an individual level.

Justin Draeger:

Is it fair to say that when we try to measure these things, so we take that philosophy and we try to boil it down into something that is implementable, something we can measure. Is it fair to say that it would be a good idea then to measure what is the debt to income ratio of students when they graduate? What is the salary that they're making relative to their debt? Are those fair measurements of the value of their education?

James Kvaal:

Well, we had some of those measurements in place under the gainful employment rule, which has since been repealed. And those measurements applied only to career programs. And we had a lot of problems, particularly in the for-profit sector and in some ways that was a long time ago, but it doesn't seem like a long time ago to me. I have multiple meetings every week about the hundreds of thousands of students who are still left with massive loans they can't afford to pay. And talking about colleges that falsely guaranteed them a job, or counted placements at radio shack as an infield job placement, or... I mean the stories will make your heart bleed.

James Kvaal:

So there does need to be some standard in place to make sure that colleges aren't routinely leaving students with debt and nothing of value. Now, is that a debt to earnings ratio or what is the best metric? That's why we go through the regulatory process. And I'm sure the rules that were done in the Obama Administration can be improved. And we're looking for ideas on how to write the best rule possible. We're not going to photocopy that version. But I think having something in place to protect students and taxpayers is evidently needed.

Justin Draeger:

A question from an audience member, when it comes to the priorities for regulatory enforcement, to the bad actors that you're talking about. The question here is there any interest in focusing that enforcement on the known bad actors or areas of bad actors rather than placing those burdens on all institutions?

James Kvaal:

Yeah. I mean, obviously, that is our objective is to make sure that our regulatory system is responsive to where the risk is and to minimize any administrative burden or other burdens on other types of colleges and universities. And that's something that is what we're going to strive to do. And we benefit from the community. It is not always clear to us which reporting and requirements are relatively easy and which ones are excessively burdensome, but we do take public comment very, very seriously. We have gone through now the first step in our process, which is called negotiated rule making. We sit around the table with stakeholders from all sectors of higher education. And then, the next step will be the public comment period. And we will read every comment. We will respond to every single comment before publishing the final rule. So really, we take that very, very seriously and encourage you to participate.

Justin Draeger:

Let's talk about you said two magical words, a few moments ago, gainful employment. I want to ask how many folks in this audience were around the first time we did gainful employment? I saw raised hands and they chose applause. But let me take us back in time for just a moment. The implementation of the last time we did gainful employment was rough, particularly on this community. I don't mean to give anyone PTSD, but I remember the department coming in very heavy handed with college presidents, threatening that their eight offices were not administratively capable all while the department had not actually released all the guidance necessary to actually do gainful employment reporting. The effect of that was a poor rollout turned a lot of would be allies in our community against that regulation. And I wonder what thought is being given to the next iteration of gainful employment that would make that rollout a little bit more easy to implement and more of a partnership.

James Kvaal:

It's definitely something we're paying a lot of attention to and we thought a lot about it. And we are looking at ways that we can reduce reporting burdens on institutions. We can try and limit the data necessary to operate the rule to data we already have. So, that's something that we're working on very hard. We recognize the value of doing that. And again, we'd welcome whatever input people have on the best way to accomplish that goal.

Justin Draeger:

Let me ask a question about accountability, sticking with accountability for a second. This morning in Politico, chairman of the house education committee, Bobby Scott was talking about that the Pell Grant,

the fact that today, the Pell grant can't be used for short-term programs that lead to a job right after the program is done. He called that ridiculous. He also then talked about quality assurance though, making sure that we don't set up programs that take money from students and taxpayers and don't actually lead to a job. And I'm wondering what thoughts you have on what that system would look like. How do we set up a system? Well, first, what's the administration's view on Pell for short term programs? And second, what would an accountability and safeguard system look like in that environment?

James Kvaal:

Well, just to be clear, when you're talking about these legislative proposals, we're talking about programs that are shorter than a traditional academic semester and often programs that are offered on a non-credit basis. So although we talk about it as a short-term Pell, the fact that it would include non-credit programs is probably a bigger departure from the existing Pell Grant Program than the length of the program. Now, there are some of these programs that are very high-quality. And if you look at the data, you will see produce very strong earnings outcomes. And there are programs that offer support for them.

James Kvaal:

The workforce investment act supports them. The Perkins program. A lot of colleges have used American Rescue Plan funds for these kinds of programs, the future ready colleges in Chicago, Upskill Vermont. I think that we should have a careful consideration of whether these programs should be made eligible for Pell as well. I think there's a good case to be made for that, but we wanna make sure that the Pell dollars are going to programs that are high in quality.

Justin Draeger:

One of the questions from the audience that just came in was specifically about deficiencies. And we're talking about doing no harm to students and borrowers, deficiencies in the plus loan program. Several reports have come out over the last year and one most recently, I think last month from the century foundation that talked about the harm that's done, particularly by the parent plus loan program. Has the department given any thought to the terms and conditions of the plus loan program for parents or for graduate students for that matter in terms of interest rates how much can be borrowed things of that nature and is that within your regulatory ability?

James Kvaal:

So we have talked a lot about the parent plus program, and I would say of the letters we get, some of the toughest stories to read are parent borrowers who are approaching retirement, or maybe past the age where they hope to retire and still have very large parent loan debts. And we know from looking at the data that there is a real segment of parent borrowers that struggle with their loans. So it is something that we're looking at. Now the question of what the interest rate is, how much parents should be able to borrow. Those are questions for Congress. So what we're going to do is continue watching this program very carefully and look for opportunities to make improvements.

Justin Draeger:

So I think what I heard is there is agreement that this is a problem in terms of a loan program. In fact, I think the department of ed's guidance actually tells schools when we're telling students about student financial aid, parent plus loans should be lumped in with private loans. So there is an admittance that this program needs some reform.

James Kvaal:

Yeah, well, there's certainly a segment of the population that is really struggling with these loans. And you can see that really clearly in the data. There's a segment that's not. It's like a barbell shape. There's not a lot in the middle. People are really struggling or they're not. And you have to be careful because there are a lot of access issues that are tied up, not just in parent loans, but whenever you're talking about student loans. So you need to be thoughtful about what the next best alternative is. But I do think that we all need to be very, very careful in what circumstances we recommend parent loans to families.

Justin Draeger:

One of the questions that also came in from an audience member was around the recent announcement that reinstated verification waivers, which was welcome news to many in our community. One, maybe some backstory, this was something we had asked for last fall. We're certainly grateful that we got it. But what was the delay in... What caused the delay between then and now, what changed that allowed us to implement these waivers now?

James Kvaal:

The arc of student aid policy is long Justin, but it bends toward NASFAA.

Justin Draeger:

Will it bend towards NASFAA this next year?

James Kvaal:

Well, I think historically when you're talking about a verification regime, you need to balance the question of, are you catching fraud with, are you imposing unnecessary burden or even keeping eligible students from enrolling in college? And I think in the past, we have not always gotten that balance right. So, that's something that we will be looking at next year. Soon, we're going to be in a new situation when we're implementing the future act. And so we have authority as you all well know, from Congress to simplify the FAFSA and to use IRS data for people who have file tax returns to populate the data. So the systems will be much, much easier for students and also will come with a lot of data that is direct from the IRS, and that should make their verification process much easier as well.

Justin Draeger:

Will we have waivers the next year or not?

James Kvaal:

Time will tell Justin.

Justin Draeger:

Okay. All right. I'll change the topic for just a second. So one of the things going into this next year, you brought up the FAFSA implementation. The department's been a really good partner in engaging with us with a working group of folks from the department, and aid administrators and NASFAA staff, to try to figure out all the ins and outs of what we need to be thinking about with the largest changes in federal methodology in decades. There will be things that we think about now that need answers. There'll be things we think about as we move into this. We know there'll be hiccups and we want to be good partners as we work with you.

Justin Draeger:

I think one of the challenges we're facing is that the timeline for institutions to get this implemented appropriately by 24 has started. This is a timeline that schools need a long runway to implement appropriately as they balance institutional aid with the new federal formula. State aid has to be worked in there and private scholarships. When should we start to expect some answers to some of the more basic questions around what we are expecting to see with FAFSA implementation?

James Kvaal:

Yeah, well, I am sympathetic because I know the challenge that we're going through and the system that FSA has, the CPS system is I think, written in cobalt and 48 years old. I'm 48, so I know that's not old. But they tell me that when it comes to computer systems, you have to be replaced at 48. So we have to do that before we can simplify the FAFSA and start the IRS match. And I know that systems that colleges have often also require quite a bit of lead time. And you want to make sure everything is absolutely correct. I would also say, we need the partnership of the community here. If people need to come along and try to use the student aid index as much as they can and not recreate the complexity of the federal system in the state or the college level.

James Kvaal:

So financial aid simplification is really something we have to do as a community. And it's something that's... A lot of us have to make separate decisions to do that. Justin, I know you've raised a number of questions about how this is all going to work, and I think we're eager to work with you and work with the entire community to make sure that we're all on track to do this together, to do it right the first time.

Justin Draeger:

I appreciate that. I think one of the things from this community that we would hope to impress upon you and the secretary is we don't want perfect to be the enemy of the good. So to the extent that we can start having answers to questions coming out tomorrow. We'll give you 24 hours. That sort of even if we don't have all the answers, some answers start to help us make plans on campus. So, we'd like to work and hopefully reach an agreement where we can start getting some of these answers sooner rather than later.

James Kvaal:

Okay. But I can't promise Rich will have answers tomorrow morning.

Justin Draeger:

Okay. Well, we won't tell them that.

James Kvaal:

Okay.

Justin Draeger:

This does speak to maybe a bit of a larger issue. And one that I'm... Is maybe a bit esoteric, but also there's some areas where the rubber meets the road, and that is the department has a dual role as you work with institutions. On the one hand, we're a stakeholder and a partner, on the other, there's an

oversight role with Federal Student Aid. And maybe this is a misperception, but I think it would set a lot of people's minds at ease. If you could talk about in the news and from the department of education, specifically from Federal Student Aid, we see a lot about the student aid enforcement unit.

Justin Draeger:

We see a lot about accountability. We see a lot about holding institutions accountable for taxpayer dollars and student outcomes. Those are all reasonable. I think where sometimes we feel a little off track is where is the partnership side of that conversation? So at a time when, for example, Federal Student Aid might not be showing up at state conferences. Might not be as accessible as they've been in the past. How do we balance these two things? Because we're all for accountability. As long as that can be balanced with the support that we need to navigate a really complicated regulatory environment.

James Kvaal:

That's something we're eager to do. And we've done quite a bit of Temporary Regulatory Relief through the pandemic. That relief is still in place. You mentioned verification, but there's quite a bit more, and we're taking a look at the effect of that regulatory relief. And there may be things that we want to continue permanently. We may or may not have the authority. There may be some regulatory change. Some Congress may have to do. But we'd love an opportunity to work with you and say, what's worked here, and what needs to go back and what maybe doesn't need to go back. Because we certainly don't want to have any requirements on schools that are there for not a good reason.

Justin Draeger:

That would be something we are very eager to talk to you about. Building on that, I did get an audience question here specifically about a staff survey that NASFAA released back in May. Showed that there were some serious concerns among NASFAA members about their ability to adequately serve students. And then, also remain compliant with administrative capability standards because they're not being given the institutional resources to hire and retain the staff they need to do all of those things. In terms of the partnership, any thoughts on how the department can help support aid offices in impressing upon college presidents and boards of trustees that... Aid offices need resources to administer these programs appropriately?

James Kvaal:

Yeah, I did see the report and I think it's very troubling. I had an opportunity actually this morning, I was over at St. Edwards and met a group of Pell recipients. Mostly first generation. One was undocumented. One was the child of migrant farm workers. And they talk very movingly about not just the value of Pell but the value of the financial aid office. And several of them had stories about working up the courage to go talk to a financial aid advisor. They felt intimidated. They felt like they were sharing private family information, but that once they did, they really found people who were able to make a difference in the trajectory of their lives. And their plans, not just to graduate, but all of them talked about supporting younger siblings, their plans to go back into some form of community service. It was really very moving and I think a really powerful testament to the value of financial aid offices.

James Kvaal:

And they said, "Gosh, maybe there'll be less verification in the future. And financial aid offices will have more opportunity to sit down with students like us and go the extra mile to invite us in and try and make this as easy as possible to invite us, to tell our stories and help us." So, I know how important the work

financial aid offices do in making college possible. I asked them of all the challenges in navigating from high school through college, what was the biggest? Unanimously, it was affordability. So getting them access to those resources remains the single most important thing we can do. And I've spoken out about this challenge in a wake of the report. I know the secretary would be willing to, and if there's more we can do, we're eager to do that because we do see financial aid directors as really critical partners on campus.

Justin Draeger:

On behalf of the community. If you're speaking publicly and specifically, I know you get invitations to speak to college, presidents, can put in a word about the dire of inadequately funding, aid offices. I think that goes a long way. All right. I have another audience question and I wouldn't ask this of any other undersecretary James.

James Kvaal:

I am the only undersecretary.

Justin Draeger:

Any other undersecretary past or future. Okay. But it's about R2T4. You know what that is?

James Kvaal:

I do know what that is.

Justin Draeger:

Now, we're gonna test how much you know about-

James Kvaal:

No.

Justin Draeger:

I'm not gonna go this deep.

James Kvaal:

I've never understood the acronym, Return to Title IV. Would it be returned?

Justin Draeger:

We're not going to flex. No, no, we're not... We can't do the acronym. No, the question is this, so much focused. And I think it's a good question. This audience member is asking, we have so much focus on debt forgiveness, which might be justified. But there are things the department could be doing that would alleviate student balances that would alleviate burden from schools. It wouldn't possibly get the media attention like debt forgiveness, but would have an immediate benefit for everybody involved. And that's alleviating some of the R2T4 that schools are calculating every week. Are you interested?

James Kvaal:

Yeah, let's talk about it. I mean, I think one of the things that we have been very excited about is the colleges who are using American Rescue Plan funds to forgive institutional balances. And we've seen a number of places do that. And it has a big impact in people's ability to come back to college or to continue in college. President Biden has also announced that nearly 8 million borrowers who are in default will have their loans restored to good standing. They're going to have their Title IV eligibility restored. That's a very big shift. And if there's more we can do through Return of Title IV, I would be really excited to see some ideas.

Justin Draeger:

We'd be happy to deliver those ideas. So we've got several for you. Let me back out for just a moment. And we are closing in on the time that we have with James that you've graciously provided us coming in from Washington, D.C today. And so we appreciate your time. If folks have any remaining questions, please go ahead and submit those so that we can get those asked before we close out this session. But I've got a couple more and one, I want to back out for just a moment on, in higher education, just generally. Maybe this was more true in the Obama Administration, but I wonder what is the philosophical underpinning in terms of post-secondary education? Is it that every American needs a post-secondary education? Is that the objective? Are there ways that we can be looking at federal funds for more or student aid funds for that matter, for more work training, workforce development, as opposed to a traditional post-secondary education? What is the philosophical underpinning here?

James Kvaal:

Well, I'll share my opinion on it, which is, a hundred years ago, we, as a country made the decision that high school should be universal. It wasn't a federal decision. It was a national decision powered by the high school movement. Some people thought high schools should charge tuition, but we decided not to. And by mid-century our educational attainment rates were much higher than most of the rest of the world. Adolescent in the United States was three times more likely to be in high school than an adolescent in Europe. And that lead in educational attainment had tremendous benefits for the economic growth of this country for sharing prosperity broadly. But over the last 40 or 50 years, we have stopped investing in higher education. We've stopped seeing that as a really important part of our strategy. And we've gone from leading a world in college attainment rates to, I think we're now 14th in the developed world.

James Kvaal:

And by college, I don't mean just four year degrees. There are a lot of two year degrees. There are certificate programs that have really high payoff. And that's what I'm talking about. That broad defined post-secondary education. Now, should we be at a hundred percent? I don't know that anyone knows that's the case, but I can tell you that countries that have much higher college attainment rates than we do are seeing very positive benefits from those investments. And that college graduates continue to see very large wage premiums, are much less likely to be unemployed. So I think every sign points to the value in having many more college graduates.

Justin Draeger:

I think most people would agree with the assessment that you provided, which rested largely on the development, the economic development of this country. As someone who is married to some... My partner is an engineer by education. I have three children that I have tried to explain the value of humanities and art to and losing that battle every day as my daughter goes into a stem field next year at

Michigan state. I guess my question is when we talk so much about the economic value of a higher education, are we in fact just making a commodity of postsecondary education, where everything comes back to earnings. And is there any way for us to evaluate, particularly in light of the deep divisions that exist in this country to evaluate postsecondary education for postsecondary education's case? Or is that just too quaint of a concept?

James Kvaal:

I would say Justin, I have the opposite problem. My kid's only 18 months, so who knows, but he can't count to two, but he will just spontaneously burst into songs. So I don't know. I do think that we, as a community sold ourselves short a little bit by talking about the college degree, and there was a stretch of time where everyone was talking about how it's a million dollars and what have you. And it is true that it can change the course of someone's lives, but it's also really important for the entire family, for the entire community, for our whole country to have people going to college.

James Kvaal:

And I think that if college really is about the benefits to an individual student, then it makes sense that the student should carry the whole load. And we should rely very heavily on student debt, but it's not true. We have a lot of reasons why we want people to go to college and we would be stronger as a country if we had many more people going to college and graduating from college. And so I think that is why we need more investments in Pell Grants. We need to reverse the trends towards state disinvestment because those resources are a really good investment in the future of our country.

Justin Draeger:

To wrap up, let me ask you two more questions and I've reserved these two for myself. If the Pell Grant could be any amount, what would it be?

James Kvaal:

Interesting philosophical question. I don't know. I do think that doubling a Pell Grant would be a really great start. And I think you would know you had gotten to the right point when we didn't have disparities in college going anymore.

Justin Draeger:

We've been talking for about... This is our last question for today. We've been talking for roughly 50 minutes. If there was one thing that you've talked about, or maybe that you haven't talked about, that you would want this community to know before you leave, what would it be?

James Kvaal:

Well, we did touch on student debt, but I would really value our partnership with this community to help make sure that people are able to repay their loans. I know institutions are in very different circumstances when it comes to loan defaults. But looking at it from our perspective, having a million students a year default, when they could be in income driven repayment, they could be in any variety of loan forgiveness programs. They at their very least could be in a deferment or forbearance. And just how painful the consequences of default are for people. It's heartbreaking and it does have troubling equity implications, as well as black students are more likely to borrow. They borrow more, they default at much higher rates.

James Kvaal:

And a lot of it is just challenges in communicating with people. They don't wanna answer letters from Federal Student Aid sometimes. So, if you all could help us make sure that people who are eligible for Public Service Loan Forgiveness understand the way the program works and stick through the application process. If you could help borrowers understand that they're better off communicating with Federal Student Aid and trying to find a solution that works for them as opposed to ignoring the letters and letting them stack up. I think we could make a real difference in addressing that worst case scenario as borrowers who end up in default.

Justin Draeger:

Thank you very much, James, for being with us today. Thanks for taking some pointed, but friendly questions. And thank you for your long time service to all of us at the department of education. We're glad to have you there, and we're glad that you came and visited us at NASFAA. So please join me in. Thanks so much.