

June 23, 2009

U.S. Department of Education  
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Via electronic mail: [edsimplification@ed.gov](mailto:edsimplification@ed.gov)

These comments are in response to the May 26, 2009 *Federal Register* notice (74 FR 24728) seeking public input about “how changes in the Department's financial aid communications and processes (including the Free Application for Federal Student Aid (FAFSA)) could improve college planning, preparation and access.”

The Institute for College Access & Success is a nonprofit, nonpartisan policy research and advocacy organization working to make higher education more available and affordable for people of all backgrounds. Much of our work focuses on financial aid issues, including how communication and processes at every stage – from early awareness through loan repayment -- can better support both access and completion.

While higher education is more important than ever for today's students and families, as well as our economy as a whole, figuring out how to pay for college has also become more complicated. In recent years, college costs have continued to rise faster than family incomes and available grant aid, so loans have become much more central to the way Americans pay for college. Knowing what kind of aid to expect – and making it easier to get – can help students and families make choices that increase the odds of college success: enrolling right after high school, attending full time (or at least half time), going to a four-year school if they are qualified, and limiting work hours so they have time to study.

In these comments, we give examples of steps the Department can take to improve both the processes and communications throughout the financial aid process. We encourage the Department to take a broad view of the financial aid process, encompassing **early awareness of aid** before college, **applying for aid**, **receiving aid** during college, and **repaying student loans** after college.

### **Start with early awareness of financial aid**

Students and families of all backgrounds tend to underestimate their eligibility for aid and overestimate what college will actually cost them, but this is especially common among lower income and first generation students. Financial aid communications from the Department, as well as from high schools, colleges, and other sources, can help students easily and accurately estimate what it will cost them to go to college and what kind of aid they can expect to receive.

[college.gov](http://college.gov)

We appreciate the Department's effort to create a comprehensive resource for students and their families on [college.gov](http://college.gov). This website presents a great opportunity to provide important information, set a high standard for consumer-friendly financial aid communications, and adopt language and terminology that can be used throughout the financial aid process both inside and outside the Department. The stated goals of the site include inspiring students to plan for college and giving them the information necessary to successfully navigate the process of getting to and through college. We have received positive comments on the site's user-friendly language, but have been told the site can be difficult to navigate and feels overwhelming.

To maximize the site's effectiveness, we recommend the Department conduct focus groups with the target audiences and selected stakeholders to get their feedback on the site content, navigation and other features. For instance, the site has a useful month-by-month checklist for high school seniors, but it needs to be printable and downloadable so students don't have to go back to the site each month to check what they should be doing. Some other specific suggestions for how to improve the site are:

- include a link to an application for a test-fee waiver rather than telling students to ask their school counselor
- explain that many colleges take almost everyone who applies
- describe the differences between associates, bachelors, masters and doctoral degrees
- tell students that if they choose a public college in another state they will likely have to pay a much higher non-resident tuition
- emphasize that state application deadlines for student aid vary and provide a link to where they can find their state's deadline
- more clearly explain the difference between federal loans and private student loans
- make the site more accessible to non-English speaking visitors.

#### *FAFSA4Caster*

In comments sent to the Department in December 2007<sup>1</sup>, we recommended significantly simplifying and possibly renaming FAFSA4Caster. By offering a simple and inviting way to get an early aid estimate, this tool could more effectively encourage lower income and first-generation students and families to consider their full range of college options *and* to complete the FAFSA itself when the time is right. In the short term, the Department should:

- rename the tool to eliminate the term "FAFSA" since students and families new to the process may not be familiar with it
- eliminate the login requirement, making logging in an optional way to save your record for future transfer to the FAFSA
- base the estimate on eight or fewer questions instead of using the full federal formula

HEOA mandates that the Department continue working with the Internal Revenue Service (IRS) to explore the transfer of tax data to the FAFSA with taxpayer consent. In addition to the very promising plans for the FAFSA itself, which was announced earlier this week, the Department

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<sup>1</sup> Asher, Lauren. 2007. *Suggested Improvements to the FAFSA4caster*. The Institute for College Access & Success. [http://ticas.org/files/pub/fafsa4caster\\_memo.pdf](http://ticas.org/files/pub/fafsa4caster_memo.pdf).

should incorporate IRS data pre-population into this tool to reduce the number of questions users have to answer themselves and make it easier to get more refined aid estimates.

### *Net Price Calculators*

HEOA mandates that the Department develop a net price calculator and that institutions make such a calculator available on their websites. Institutions must use either the Department's calculator or their own that includes at least the minimally required data elements. "Net Price" is defined as the full cost of attendance minus the average need- and merit-based grant aid for first-time full-time students who receive such aid.<sup>2</sup>

This represents an important opportunity to help students understand the actual costs they would face by attending different types of schools and how they might meet those costs. It is important that these calculators be designed with the perspective of students and families in mind, not just the interests of colleges in recruiting students. The Department can play a critical role in setting the standard for colleges. One way to do this is by involving students and families in consumer testing during the development of the Department's Net Price Calculator, which will likely be adopted with little or no customization by many colleges and will set the standard for customized calculators. Once calculators are required for all colleges, the Department can help facilitate consumers' ability to access these calculators by maintaining links to them on the College Navigator website. The Department can also help promote comparability between different colleges' calculators by actively enforcing the requirement that colleges' calculators include at least the data elements included in the Department's calculator and follow the same data definitions. As we mention below in our discussion of consumer disclosure requirements, the Department should apply graduated sanctions to colleges that fail to comply with these requirements.

Since the creation of a Net Price Calculator involves many of the same steps as improving the FAFSA4Caster, the Department should consider whether these projects should be merged, or at least ensure that knowledge is transferred between the two projects even if they are occurring in different units within the Department.

## **Financial Aid Application Process**

### *Free Application for Federal Student Aid (FAFSA) and Student Aid Report (SAR)*

We applaud the Department's proposed changes to simplify the FAFSA and to provide more information about aid eligibility on the SAR.

Students and their families will benefit tremendously from the option to prepopulate the FAFSA with their IRS tax data. Additionally, the Department's implementation of skip logic technology will reduce the number of questions that consumers must answer, many of which are not applicable to most applicants.

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<sup>2</sup> See subsections (a),(b),(c), and (h) of P.L. 110-315, Sec. 111, adding Sec. 132 to HEA

As we stated in our November 2008 comments to the department on the current (2009-2010) SAR<sup>3</sup>, students who make the effort to submit a FAFSA deserve a consumer-focused response that prioritizes the most useful information and presents it as clearly as possible. At this point in the process, students want to know:

- Was my FAFSA received and processed?
- Am I eligible for federal aid? How much?
- Do I need to do anything else to complete the application process?
- What are next steps in the process?

We are pleased by the Department's recent announcement that applicants will be informed about their aid eligibility in the 2010-2011 SAR. This is a significant improvement and we urge the Department to continue looking for ways to make the information on the SAR and elsewhere more helpful to students and families.

#### *Financial Aid Award Letters*

For many students, the next step in the process is receiving a financial aid award letter from the school(s) they applied to. This letter generally offers the student a financial aid package consisting of federal, state and institutional aid, including grants, loans and work-study.

Section 484 of HEOA directs the Department to develop recommendations to improve award letters and model award letter formats, with the aim of helping students and parents make informed decisions about financing college, especially regarding student loans. This process presents the Department with a great opportunity to engage with the higher education community to promote clear and effective financial aid communication, including the consistent use of terminology between the Department and colleges.

We are particularly interested in encouraging the development of award letters that:

- Disclose the total estimated cost of attendance
- Clearly identify the costs that the student and family will have to cover after subtracting gift aid from the total cost of attendance
- List the amounts of financial aid available to meet those costs, clearly separating and distinguishing gift aid from loans and work-study
- Clearly distinguish federal from nonfederal (private) student loans
- Avoid confusing terms, acronyms, and jargon and include definitions and/or references for more detailed information
- Provide clear instructions about next steps for accepting and receiving aid and where to turn with questions or to find more information

Our recent analysis of more than 100 actual award letters suggests that currently, most letters fail to meet these standards.

#### *Consumer disclosure requirements*

Colleges are required by federal statute or regulations to provide a wide range of financial aid information to current and prospective students. The addition of many well-intentioned

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<sup>3</sup> Asher, Lauren. 2008. *Comments on 2009-2010 Draft Student Aid Report*. The Institute for College Access & Success. [http://projectonstudentdebt.org/files/pub/SAR\\_comments\\_11-26-08.pdf](http://projectonstudentdebt.org/files/pub/SAR_comments_11-26-08.pdf)

disclosure requirements over time has led to a situation where important information can get lost as colleges work to keep up with compliance and consumers have to search across websites and documents. The Department should review the consumer disclosure requirements with an eye toward improving the usefulness and accessibility of this information to students and families. Requirements that are duplicative, outdated, or confusing for consumers should be changed. The Department should use its existing authority to make changes through regulations and sub-regulatory guidance and administration where possible and work with Congress regarding possible statutory changes.

We understand that the Department's National Postsecondary Education Cooperative (NPEC) will soon be publishing a report with the first-ever comprehensive list of all of the institutional disclosure and reporting requirements. Such a list might reveal, for example, that colleges are required to disclose data on the proportion of students by gender, race/ethnicity, and Pell Grant reciprocity to consumers upon request but are also required to report very similar information to IPEDS. The Department should look for ways to structure the requirements so that the information is delivered to students at important points in their college careers. For these disclosure requirements to truly serve as a means of informing consumers, rather than as just a compliance exercise for colleges, critical consumer information needs to be easily accessible to students – presented on colleges' websites and in printed materials provided to prospective and current students. That information also needs to be specific and relevant to where students are in the college search and financial aid process.

The Department should also work with Congress to obtain appropriate authority to use graduated sanctions to enforce compliance with disclosure requirements. Currently, enforcement of many provisions is “all or nothing”—colleges can lose their eligibility for federal financial aid for failure to comply with a host of statutory and regulatory requirements, including disclosure requirements, but there are not always less drastic enforcement mechanisms available.

Additionally, the usefulness of important consumer disclosures is undermined when the data and methodology underlying the information varies from college to college, making comparisons difficult. The Department can play an important role in setting definitions, in consultation with members of the higher education community. In many cases, the best way to do this is to require that data disclosed to consumers also be reported to the Department through the Integrated Postsecondary Education Data System (IPEDS) or other similar programs. Information reported to IPEDS follows definitions and standards set forth in the instructions to colleges for reporting data, and is available on Department websites in a comparable form for all reporting colleges. There is little additional burden to colleges since they are already required to report these data to consumers.

For example, HEOA requires colleges to disclose to prospective and current students the college's graduation rate, disaggregated by financial aid categories—Pell Grant recipients, recipients of subsidized Stafford Loans who do not receive Pell Grants, and all others. That information would be valuable to consumers and policymakers in gauging a college's commitment to and success in enrolling and graduating students from diverse economic backgrounds. However, a student or counselor searching for this information for several colleges would have to browse through multiple college websites. The information would likely be in a

different place on each website, possibly using different key words and titles to describe the page or section where it is found. Requiring that this data be reported to IPEDS would help ensure that it is calculated in a uniform manner, allowing consumers to easily compare data across institutions. This is already a requirement for existing graduation rate data, disaggregated by race, and it should be a requirement for this new data as well.

### **Receiving Aid**

Once students have made it through the financial aid application process, the timing and manner in which they receive aid and the frequency and quality of counseling they receive can make a big difference in how well the aid supports their ability to enroll in and complete classes, as well as their degree or certificate programs. While going through the application process the first time may be the biggest challenge, it is not the end of the road as the process of applying for and receiving aid repeats throughout a student's college career. The Department can play a role in supporting a smooth financial aid process and high-quality counseling for students at key points.

For example, HEA mandates entrance and exit counseling for student loan borrowers. Entrance counseling represents an opportunity to help students understand how the loans they take out during college will translate into monthly payments and outline steps they can take to avoid excessive borrowing. It is also an opportunity to warn students about the dangers of private student loans and the availability of Parent PLUS loans. Entrance and exit counseling represent an opportunity to educate students about repayment and consolidation options, including Income-Based Repayment and Public Service Loan Forgiveness. These types of counseling are sometimes seen (by students and financial aid administrators) as just another step to go through. The Department should work with institutions and other organizations to strengthen these counseling programs to make the most of these opportunities.

HEOA added several consumer disclosure requirements for private student loan lenders and a self-certification process for private student loan borrowers and the colleges they attend. About one-quarter of private student loan borrowers do not receive federal Stafford Loans.<sup>4</sup> Anecdotal evidence suggests that counseling students who are considering private student loans may be the best way to ensure that students take out federal loans first. After Barnard College began requiring financial aid counseling for prospective private student loan borrowers, administrators documented a 73% decrease in private student loan utilization in one academic year.<sup>5</sup> At Colorado State University, financial aid officials began contacting students who sought private student loan certification and found that many had not completed a FAFSA or borrowed the maximum amount of federal loans available to them first. Students were then counseled to utilize these lower-cost options, and school officials estimate that half of the students they contacted turned to federal loans before applying for private loans.<sup>6</sup>

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<sup>4</sup> Project on Student Debt. "New Data Show Big Increases in Private Student Loan Borrowing." Press Release. April 21, 2009. The Institute for College Access & Success.  
[http://projectonstudentdebt.org/files/pub/Private\\_loan\\_data\\_NR.pdf](http://projectonstudentdebt.org/files/pub/Private_loan_data_NR.pdf).

<sup>5</sup> Jaschik, Scott. 2007. Bucking the Tide on Private Loans. *Inside Higher Ed*, July 16.  
<http://www.insidehighered.com/layout/set/dialog/news/2007/07/16/barnard>.

<sup>6</sup> Harnisch, Thomas. 2008. *The Public Realities of Private Student Loans. Policy Matters: A Higher Education Policy Brief*. American Association of State Colleges and Universities, pg. 4-5.  
<http://www.aascu.org/media/pm/pdf/pmapril08.pdf>.

These two efforts represent both the isolated nature in which private student loan counseling takes place alongside the certification process as well as the promise that such counseling holds for students to borrow more wisely. The Department's role in implementing self-certification represents an opportunity to encourage colleges to engage students in counseling about private student loans. Moreover, we believe that legislation to strengthen the private student loan certification process and require more data collection about private student loans would help to further protect students from this risky form of financing. All federal student loans are currently reported to a federal database, the National Student Loan Data System (NSLDS), allowing schools and researchers to accurately track debt trends. In order to fully understand and address rising student debt, information about private student loan borrowing should also be collected through this system.

### **Repayment**

One of the benefits of the federal student loan programs is the array of borrower protections and programs for ensuring that payments do not overburden borrowers, especially those with lower income or those working in public service. For these programs to be effective, however, borrowers have to be aware of them and fully understand how to take advantage of them.

One example where the Department could do more to fulfill this goal is with communicating with borrowers about the new Income-Based Repayment (IBR) and Public Service Loan Forgiveness (PSLF) programs. Federal Student Aid (FSA) recently launched a new section of Student Aid on the Web devoted to Income-Based Repayment (<http://studentaid.ed.gov/PORTALSWebApp/students/english/IBRPlan.jsp>) that provides good basic information about the program and how it works, but offers little information to help borrowers prepare for the eligibility determination process.

The most substantive information available from the Department on Public Service Loan Forgiveness (PSLF) is a fact sheet (<http://studentaid.ed.gov/students/attachments/siteresources/LoanForgivenessv4.pdf>) that fails to inform borrowers of the process for confirming eligibility and what documentation they will be asked to submit. However, the Department's October 2008 response to public comments on the draft CCRAA regulations indicated that it places the burden on borrowers to understand the regulations and keep proper documentation of their qualifying payments and qualifying jobs for PSLF for ten years. This is unreasonable and will likely result in some borrowers who Congress intended to help not benefitting from the program. Improving the process for PSLF could include providing borrowers with a form similar to that used for Perkins Loan deferment and forgiveness for teaching.

To qualify for Public Service Loan Forgiveness (PSLF), borrowers must make 120 qualifying payments while employed in a qualifying job. Qualifying payments are those made under Income-Based Repayment (IBR), Income-Contingent Repayment (ICR), or a Standard 10-Year Repayment plan. However, the option of a Standard 10-Year Repayment Plan is not provided for many consolidation loans, as borrowers with total loan balances of \$7,500 or more are given standard repayment plans of 12 to 30 years, depending on the total balance. Given that the

average debt balance of a graduate of a 4-year undergraduate institution who has loans is approximately \$23,350,<sup>7</sup> it is likely that many borrowers will be denied access to payments that could qualify them for this payment plan. The Direct Loan website and call centers need to give borrowers the option to choose a Standard 10-Year Repayment Plan and clearly indicate that this is the plan that qualifies for PSLF.

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Thank you for this opportunity to provide input into how the Department approaches financial aid communications and processes. Please do not hesitate to contact me if you have any questions regarding our recommendations.

Sincerely,

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<sup>7</sup> Calculations by The Institute For College Access & Success on National Center for Education Statistics (NCES) National Postsecondary Aid Study (NPSAS), 2007-08 undergraduate data.