

July 26, 2013

The Honorable John Kline, Chairman  
The Honorable George Miller, Ranking Member  
Committee on Education and the Workforce  
United States House of Representatives  
Washington, DC 20515

The Honorable Virginia Foxx, Chairwoman  
The Honorable Rubén Hinojosa, Ranking Member  
Subcommittee on Higher Education and Workforce Training  
Committee on Education and the Workforce  
United States House of Representatives  
Washington, DC 20515

Dear Chairman Kline, Chairwoman Foxx, and Ranking Members Miller and Hinojosa:

On behalf of The Institute for College Access & Success (TICAS), thank you for the opportunity to provide our recommendations for improving federal financial aid policy in advance of the reauthorization of the Higher Education Act. TICAS is an independent nonprofit organization that conducts research and analysis to make higher education more available and affordable for students of all backgrounds.

The need for higher education and training has never been so important to individuals and our economy as it is today. However, the gaps in college enrollment, persistence, and graduation between children from high- and low-income families have widened over the last 30 years, threatening both the American Dream and our nation's economic competitiveness. Although these gaps cannot be closed with financial aid policy alone, research shows that it can increase enrollment, persistence, and completion.

Based on in-depth analysis of available data and recent research, TICAS recommends the following changes to federal student aid programs to ensure college access and support student success. Each of these recommendations is discussed in more detail in the attached white paper, [Aligning the Means and the Ends: How to Improve Federal Student Aid and Increase College Access and Success](#). Some of the recommendations require additional investments, and the white paper includes options that would more than pay for them. For those recommendations that are of interest to you, we would be glad to provide additional details or assistance.

***Student Eligibility and Accountability: Simplify the aid application process while better targeting aid and preventing fraud.***

- Calculate eligibility using the tax or W-2 data available when students typically apply to college.
- Streamline the verification process that occurs after students submit the FAFSA to ensure eligible students get aid and reduce burdensome paperwork for schools and students.
- Improve the federal needs analysis formula to better target aid while reducing the number of questions that cannot be answered by existing tax and wage data.
- Better prevent fraud by having the Education Department flag aid applicants with histories that suggest fraud, so they cannot enroll and withdraw at school after school while receiving federal aid.

***College Eligibility and Accountability: More closely tie a college's eligibility for funding to the risk students take by enrolling and the risk taxpayers take by subsidizing it, and reward schools that serve students well.***

- Sanction schools based on their Student Default Risk Index (SDRI) rather than their Cohort Default Rate (CDR).
- Require risk-sharing by schools if they receive a majority of their revenue from federal student aid and have SDRIs that are relatively high but fall below the eligibility cutoff.
- Reward colleges with very low SDRIs with additional flexible funding based on their low-income student enrollment.
- Let colleges with strong track records have more flexibility to innovate.
- Improve oversight and other accountability measures to better protect students.

***Grant Aid: Secure and improve Pell Grants.***

- Double the maximum Pell Grant to close income gaps in access and attainment.
- Make Pell Grants a mandatory program.
- Rename Pell Grants as Pell Scholarships to better convey the academic expectations of all recipients.
- Limit Pell eligibility while enrolled less than half time to two terms, to encourage timely completion while recognizing the challenges facing low-income students.
- Limit Pell eligibility to 7.5 years, excluding up to one year of remedial coursework, to allow completion of a bachelor's degree while meeting requirements for satisfactory academic progress.
- Congress should consider maintenance of effort provisions to ensure that new federal dollars supplement – rather than supplant – state and other forms of higher education funding and aid.

***Student Loans: Reduce complexity, improve targeting, contain debt burdens, and encourage completion and wise borrowing.***

- Provide a single undergraduate student loan with a fixed interest rate and no fees. The loan would have a low interest rate while the student is in school, based on the government's cost of borrowing. When the loan enters repayment, the interest rate would rise by a set margin, but the total rate could never exceed a designated cap.<sup>1</sup>
  - To help borrowers who go to school when interest rates are unusually high, the loan would have a built-in form of insurance that would keep their rates from ever being too much higher than the rate on loans being offered to current students.
  - To provide a targeted safety net for borrowers from low-income families, Pell Grant recipients would be eligible for interest-free deferments during periods of unemployment and economic hardship.
- Streamline and improve federal loan repayment options by:
  - Offering one income-based repayment plan that lets any borrower choose the assurance of manageable payments and forgiveness after 20 years.
  - Enabling borrowers to make one payment that covers all their federal loans, and basing standard repayment periods on the borrower's total federal student loan debt.
- Improve the timing, content, and effectiveness of student loan counseling to help students borrow wisely, complete college without burdensome debt, and pick a repayment plan that works for them.

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<sup>1</sup> While not specifically addressed in our white paper, we recently submitted comments on the interim final rules limiting Direct subsidized loans to 150% of program length. We urged the Administration, and urge Congress, to consider ways to simplify and improve this policy in the reauthorization of the Higher Education Act. For example, an eligibility period that is a fixed number of years for all students would be much easier to understand, communicate, and implement, particularly for the many students who transfer between colleges.

- Prevent student loan defaults by automatically enrolling severely delinquent borrowers in an income-based repayment plan; targeting outreach to borrowers showing signs of financial distress; and providing discharges when students are defrauded by their college, to be paid for by the school.
- Reduce financial distress by reconsidering the use of private debt collectors for defaulted federal loans; protecting income for basic necessities when collecting on defaulted loans; and ensuring there is a way out of default for all borrowers willing to take responsibility.
- Strengthen consumer protections for private loan borrowers by requiring school certification for all private education loans; enabling private loan borrowers to refinance or modify their loans; and treating private loans like credit cards and other similar types of debt in bankruptcy.

***Tax Expenditures: Streamline and improve the targeting of higher education tax benefits.***

- Eliminate multiple higher education tax provisions and redirect the savings (more than \$100 billion over the first five years alone) into Pell Grants and incentive funds for states and colleges to increase college access, affordability, and success.
- If higher education tax benefits are to be retained, we recommend:
  - Streamlining them into an improved American Opportunity Tax Credit (AOTC).
  - Better aligning eligibility for higher education tax benefits with student aid administered by the Education Department.
- Stop taxing forgiven or discharged student loans as income.
- Stop taxing Pell Grants as income.

***Better Information: Provide students with key information when they need it.***

- Provide key data on cumulative student debt, private loan borrowing, loan defaults, and graduation rates.
- Provide proactive estimates of federal aid eligibility so students know they can afford college, and improve the free, online FAFSA4caster so it is easier to compare likely aid to costs at specific colleges. For students and families ready to select schools, promote College Scorecards with key information on every college, and make net price calculators easier to find, use, and compare.
- Require all colleges to use a standard format for financial aid award letters that makes it easy for families and students to understand and compare what they would need to save, earn or borrow at each college to which they have been admitted.
- Conduct consumer testing to ensure that information is presented in the most effective way, including for audiences with little or no college knowledge or experience.

Thank you again for the opportunity to submit these recommendations. We look forward to opportunities to discuss them further in the coming months. If you have any questions or feedback, please contact Joseph Mais ([jmais@ticas.org](mailto:jmais@ticas.org)) or Jessica Thompson ([jthompson@ticas.org](mailto:jthompson@ticas.org)). Both can be reached at 202.223.6060.

Sincerely,



Lauren Asher, President