

# The College Affordability Coalition's Principles for Reauthorization of the Higher Education Act

Equitable access to an affordable, high-quality postsecondary education is a civil right. More than 50 years after the enactment of the Higher Education Act (HEA), high tuition and other college costs still stand in the way of millions of talented Americans seeking college degrees. While federal loans and grants have allowed millions of students to enroll in college, the futures of too many have been hampered, rather than helped, by student debt. Students and parents of color and those from low-income communities face greater obstacles in affording college and paying down their student debt due to a long history of slavery, segregation, redlining and ongoing discrimination that has led to structural inequities in college access and the labor market.

There are three areas where Congress must make real investments in order to promote more equitable outcomes within our higher education system: strengthening the Pell Grant program, renewing a federal-state partnership for college affordability, and creating a borrower-centered federal loan system. These principles will address the needs of the approximately 44 million Americans who currently have debt and the millions of future students who may take it on in the future. Addressing these three issues will advance the economic competitiveness and shared prosperity of our nation. At the same time, reauthorization of HEA must include improvements to ensure institutions are held accountable for the success of all students, and to protect against predatory practices that place students and the taxpayer investment at risk.

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### Secure and Strengthen the Pell Grant

- Pell Grants should be fully supported by mandatory, rather than discretionary, funding.
- The purchasing power of the Pell Grant should be increased on a path to doubling the current maximum award so that it covers at least roughly half of four-year public college cost of attendance.
- The automatic adjustment to the annual grant amount to account for inflation should be permanently restored.
- Pell Grants should be restored for students who are incarcerated and the FAFSA should no longer seek information about drug convictions.
- Access to Pell Grants should be expanded to include certain eligible undocumented students, including Deferred Action for Childhood Arrivals (DACA) beneficiaries and Temporary Protected Status (TPS) beneficiaries.
- Congress should carefully approach any changes to allow short-term programs to be paid for with Pell Grants by ensuring such programs are high-quality and lead to family-sustaining wages.

### Renew the Federal-State Partnership for College Affordability

- A federal-state partnership should be created to encourage additional state investment in postsecondary education, and should be supported with an adequate amount of mandatory funds, provide for future automatic increases, and be responsive to economic downturns.
- Initial federal investments should prioritize the college affordability needs of students who need help most and address economic and racial inequities. Additional state funds generated through the partnership should further promote affordability guarantees, student success and improvements in college quality.
- The partnership should promote more equitable student outcomes and more equitable distribution of resources by race and income. It should meet the needs of today's students and target investments toward under-resourced institutions that traditionally serve underrepresented students.

### Create a Borrower-Centered Federal Loan System

- Steps should be taken to reduce the amount of money students need to borrow in order to access college, particularly the extra burden facing low-income students and students of color.
- Loans should have clear and fair terms, and repayment options should be simple, straightforward, fair, and not punitive or burdensome.
- Any loan program should be transparent and include access to counseling.
- Borrowers' interests should be put first and their rights should be protected through meaningful accountability measures and performance standards. Loans should be eligible for discharge in bankruptcy.
- Any savings from revisions to the structure of the loan program should be funneled back into resources that help low- and moderate- income students pay for college.

## SECURE AND STRENGTHEN THE PELL GRANT

*The Pell Grant is the cornerstone of federal financial aid, and allows seven and half million of low- and middle-income students - including nearly 60 percent of Black undergraduates and almost half of Latino/a undergraduates - to attend and complete college. However, Pell Grant recipients today are more than twice as likely as other students to have student loans, and recipients who borrow graduate with over \$4,500 more debt than their higher income borrowing peers. The program is in urgent need of additional investment and reform to support college affordability and success and reduce student debt. As Congress looks to reauthorize the Higher Education Act, it must ensure that the program's current needs are addressed and that specific groups of vulnerable students are not denied access to the grant.*

**Provide Core Investments:** While the grant continues to provide critical support for students with significant financial need, that level of support has declined to historically low levels. At its peak in 1975-76, the maximum Pell award covered more than three quarters of the cost of attending a four-year public college; the 2018-19 maximum award amount covers just 28% of that cost. The purchasing power of the Pell Grant should be significantly increased.

- Pell Grants should be fully supported by mandatory, rather than discretionary, funding to provide for automatic adjustments in program funding based on changes in participation. The misalignment between having a program that functions like an entitlement, where every qualified student receives a grant, but largely relies on discretionary funding creates temporary funding gaps and surpluses that put the program in jeopardy and generates unnecessary uncertainty for students and schools.
- Congress should commit to a path to doubling the current maximum Pell Grant so that it covers at least roughly half of four-year public college cost of attendance.
- The grant's prior automatic annual inflation adjustment should be permanently restored to ensure predictable increases to maintain the grant's real value and reduce future erosion of the grant's purchasing power.

**Reform Student Eligibility to Ensure Better Student Outcomes and Protect Quality:** Reforms to who can access Pell Grants must be done in a way that serves the needs of students and gets to the goal of increased postsecondary college attainment and success.

- The 1994 ban on access to the Pell Grant for students who are incarcerated should be repealed. Correctional education programs have been shown to reduce the rate of recidivism, increase the rate of employment upon a student's release, reduce incidences of violence in participating prisons, and result in net savings to taxpayers of between \$4 and \$5 for every \$1 invested.
- Question 23 on the FAFSA regarding previous drug convictions should be eliminated.
- Access to Pell Grants should be expanded to include certain eligible undocumented students, including Deferred Action for Childhood Arrivals (DACA) beneficiaries and Temporary Protected Status (TPS) beneficiaries. One-fifth of DACA recipients are enrolled in postsecondary education and another third of recipients are in high school and are considering options to further their education and their preparation for the workforce after they graduate. Having access to Pell Grants will enable more of these young Americans to pursue higher education and enhance their opportunities to contribute to the United States, the only country many of them have ever known.
- Congress should carefully approach any changes to allow short-term programs to be paid for with Pell Grants. Any changes to the program length eligibility requirements must ensure that such programs are high-quality and lead to family-sustaining wages. Approaching reforms for short-term programs with caution will support the low-income students who most need access to quality postsecondary education, reduce the risk of exacerbating racial and socioeconomic inequities, and preserve the Pell Grant program for the long term.

## RENEW THE FEDERAL-STATE PARTNERSHIP FOR COLLEGE AFFORDABILITY

*The Higher Education Act should include a new federal-state partnership that provides meaningful investments to ensure college is more affordable. The cost of college for today's students goes beyond tuition and additional supports must be made available to ensure college success. With the withdrawal of state funding for public postsecondary institutions shifting the burden of paying for college to students and families, federal funding can provide needed supports while incentivizing states and institutions to take steps to better serve all students.*

**Create a Federal-State Partnership to Encourage State Investment:** Any federal-state partnership should be designed to encourage additional state investment in postsecondary education, with an eye toward addressing inequities in affordability, spending, and opportunity for low-income students and students of color.

- Partnerships should be designed to work toward affordability guarantees for students at public institutions.

**Provide Adequate Funding:** The federal-state partnership program should receive sufficient amounts of federal funds to supplement state investments and make college more affordable for students and families.

- The partnership should be supported with an adequate amount of mandatory funds, provide for future automatic increases, and be responsive to economic downturns.
- Initial federal investments should prioritize the college affordability needs of students who need help most and address economic and racial inequities. Additional state funds generated through the partnership should further promote student success and improvements in college quality, using affordability efforts or institutional operating supports.
- As funding grows, dollars should create affordability guarantees and strengthen institutional support.

**Require States to Serve Today's Students:** Federal and state supports must meet the needs of today's students - such as those who are low-income, students of color, returning adults, or student parents. Investments should also be targeted toward under resourced institutions. States should not be permitted to implement additional eligibility requirements, such as limiting partnership funds only to students who attend full-time.

- Participating states should demonstrate a commitment to funding higher education by maintaining their investment in public higher education. States that do not sufficiently fund their public colleges and universities should also increase investments. Any new federal funds should be used to supplement, not replace, existing investments.
- Participating states should commit to tackling opportunity gaps and funding disparities by race, socioeconomic status, disability status, and other key demographics. They should report on enrollment, funding, institutional spending, and student outcomes by institution, disaggregated by these key demographics, and create a plan for addressing identified disparities.
- Federal funding to states should be distributed based on the size of the state's college-aged population, the state's success at enrolling low-income students, the effort the state exerts in funding higher education relative to its economic circumstances, and increases in state higher education support for operations or affordability at public institutions.
- To correct historic funding inequities, states should distribute institutional operating funding in ways that direct the greatest investments toward institutions with low overall resources and low per-student funding.

## CREATE A BORROWER-CENTERED FEDERAL LOAN SYSTEM

*The reauthorization of the Higher Education Act provides an opportunity to create a borrower-centered federal loan system. These principles are intended to lower the stakes of borrowing for college, and allow borrowers to choose from straightforward repayment options and easily navigate paths out of debt. They also encourage stronger accountability in the system, shifting power away from industry interests and instead into the hands of consumers.*

**Reduce Burdensome Debt:** Congress's first priority should be to reduce the need to borrow to access college, specifically by providing increased need-based grant aid to reduce the disparate impact of student debt on low-income students, first-generation students, women, and students of color. Until adequate federal, state and institutional investment in student aid puts an affordable higher education in reach of all students, loans will continue to be a financing mechanism that families rely on to get to and through school. Protections must be put in place for students who need to take on debt to access higher education.

- Federal student loans should be available to students without underwriting or other barriers that seek to keep certain students out of the federal loan system.
- The terms and benefits of student loans, and pathways out of debt, should be straightforward and easy to understand.
- Any savings from revisions to the structure of the loan program should be funneled back into resources that help low- and moderate- income students pay for college.

**Provide Better Pathways out of Debt:** Federal education debt should not be a lifetime burden for borrowers. Students should be able to choose from a simpler set of repayment options that suit a variety of financial situations.

- The ability to access repayment options, especially income-driven repayment plans, should be straightforward and simple.
- Students should not be subject to inordinately long loan repayment terms, or be required to go through lengthy or complex processes to discharge their debts. To the extent practicable, the Department of Education should automatically discharge the debts of eligible borrowers.
- Consequences of student loan default, including collections of defaulted federal education debts, should not be punitive or burdensome.
- Loans should be eligible for discharge in bankruptcy.

**Increase Outreach and Transparency:** Congress should create a loan program that works for borrowers and it should take steps to increase and improve counseling, data availability, and transparency around student debt and educational outcomes.

- The Department of Education should be directed to significantly increase the public's access to data on student loan borrowing and repayment.
- The Department of Education should be directed to improve the quality and efficacy of loan counseling, before students borrow and while they are enrolled in school.

- The Department of Education should be required to establish robust outreach and support standards with which colleges, loan servicers, and other entities that interact with borrowers must comply.
- Communications from the Department of Education should be consumer tested and aligned with best practices, including providing just-in-time information while borrowers are in repayment.

**Provide Oversight and Borrower Protections:** The Department of Education and the Office of Federal Student Aid (FSA), which administers the loan program, should adjust their focus to protect financial aid recipients. This should be done in partnership with other federal agencies, as well as through improved accountability and transparency regimes.

- The Department of Education should work collaboratively with other federal and state entities to ensure that borrowers' rights are protected and that their benefits are easily accessible.
  - FSA's mission should be focused on consumer satisfaction and protection, rather than focused on efficiency.
  - There should be strong performance standards and accountability structures for contractors who manage the accounts of federal loan borrowers. These standards should not only be based on borrowers' loan statuses, but also compliance with federal guidance and basic consumer protections.
  - Borrowers should have the ability to redress harms they have experienced while enrolled in school or during repayment.