the institute for college access & success

NATIONAL POLICY AGENDA TO BRING A DEBT-FREE, HIGH-QUALITY COLLEGE EDUCATION IN REACH FOR ALL

Prior to the COVID-19 pandemic, funding for America's public colleges had still not recovered from the Great Recession; the federal Pell Grant covered the lowest share of college costs in the program's history; millions of student loan borrowers were struggling to manage their debt; and low-quality for-profit colleges, empowered by regulatory rollbacks, continued to prey on many of our nation's most vulnerable students. Furthermore, persistent inequities in access, affordability, and completion remained stagnant or grew; BIPOC students and students from low-income backgrounds continue to bear the highest college cost and debt burdens.

A postsecondary degree or credential is a key stepping-stone to the middle class, but an affordable, high-quality college education has been out of reach for far too many students for far too long. Absent continued federal intervention, the pandemic's blow to college completion, social mobility, and economic growth could last for years to come.

Students cannot afford to wait. Research suggests that the following federal policy proposals would help close racial and economic gaps in college attainment, restore the promise of public higher education, and reduce the burden of student debt:

  - Reduce Risky Private Loan Borrowing & Improve Protections for Private Loan Borrowers
- Improve Institutional Accountability
  - Strengthen Policies to Prevent Waste, Fraud, and Abuse
- Improve Postsecondary Data & Consumer Information Tools
  - Bring the Postsecondary Data System into the 21st Century
  - Improve and Promote Tools to Help Students Make Informed College Decisions
  - Collect Private Student Loan Data

MAKE COLLEGE MORE AFFORDABLE & INCREASE GRADUATION RATES

Double the Maximum Pell Grant & Strengthen the Pell Grant Program

The Pell Grant program is the nation's foundational investment in higher education. The program, which enjoys strong bipartisan support, helps nearly seven million low- and moderate-income students attend and complete college annually. Pell Grants are especially critical for students of color, with nearly 60 percent of Black students, half of American Indian or Alaska Native students, and nearly half of Latina/o students receiving a Pell Grant each year.

However, the share of college costs covered by the grant is at an all-time low. At its peak, the maximum grant covered three-quarters of the cost of attending a four-year public college. Now, it covers less than one-third of that cost. Unsurprisingly, Pell Grant recipients continue to bear disproportionate student debt burdens. Pell Grant recipients today are more than twice as likely as other students to have student loans, and grant recipients who borrow graduate with over $4,500 more debt than their higher-income peers.

Doubling the maximum Pell Grant — and permanently indexing the grant to inflation to ensure its value doesn't diminish over time — will boost college enrollment, improve graduation rates, and honor the history and value of these grants as the keystone federal investment in college affordability.

Alongside this investment, lawmakers should shift program funding to be fully mandatory. This will protect the program across budget cycles and ensure predictability for recipients. Shifting to mandatory funding would eliminate the need for annual appropriations and provide for automatic adjustments in program funding based on changes in participation.

We support legislation introduced in the 117th Congress (S.2081) which reflects the above recommendations.

In addition, as federal agencies work to implement major changes to the FAFSA, we urge policymakers to also address the burdens and complexity of verification, which for over a quarter of FAFSA filers — most of whom are Pell-eligible — is the final step to receiving aid for which they are eligible.

FAFSA verification has a disproportionately negative impact on students from low-income backgrounds, Black students, and Latina/o students, unnecessarily delaying and even derailing access to the aid for which they qualify and that they need to start and stay in college.

Fund Public Colleges Sustainably & Equitably

Public colleges enroll three-quarters (76%) of undergraduates. However, declining state investment in public higher education — paired with inequitable funding across institution types — has hampered states' ability to provide accessible and affordable higher education opportunities for their residents.

State funding cuts for higher education often occur when states face significant pressure to fund other crucial state programs — including K-12 education and healthcare for low-income children and families — on limited or suddenly reduced revenues. To make up for funding shortfalls, states shift costs onto students via increased tuition and fees. States are also reticent to make long-term investments given the fear of having to continue funding during future downturns, budget limitations, and enrollment declines.

To reverse this trend, we propose a renewed federal-state partnership that delivers new federal funding to public colleges, focused on reducing net costs especially for low-income students and BIPOC students. In exchange, states must maintain or increase their own investments in public higher education.

As part of this partnership, lawmakers should also "recession-proof" public higher education via an automatic funding mechanism that kicks in during economic downturns to sustain and stabilize state funding for public colleges and student financial aid.

Legislation introduced in 2021 (S.1288, H.R.2861, S.2054), 2019 (S. 3028), 2018 (S. 2598), 2017 (S. 806), 2016 (H.R. 5756), and 2015 (S. 2191) all include strong maintenance of effort provisions to ensure that new federal dollars sent to states do not supplant state and other forms of higher education funding and financial aid.

Increase Federal Investment to Scale Evidence-based College Completion Programs

While there has been a demonstrable increase in national high school graduation rates over the last two decades, college graduation rates have stagnated. As a result, millions of Americans leave college without completing a degree or realizing the economic benefits that a college degree confers.

There is a set of programs across the country — all of which take a similar, comprehensive approach to supporting students — that is driving significant gains in credit accumulation, college persistence, degree attainment and post-graduate earnings.

One such program, CUNY ASAP, has doubled graduation rates among participants, almost all of whom are low-income, students of color. These programs provide students with counselors who seek to understand their unique needs and provide them with a customized suite of resources (academic, financial, personal support, or otherwise). With input from the community of practice running these programs, we created a proposal for a national investment in scaling proven programs.
We support H.R.5376, which includes a first-of-its-kind $500 million program to implement and scale evidence-based retention and completion initiatives that can help more students earn a degree, and urge Congress to increase that investment.

Streamline and Improve Higher Education Tax Benefits

There is bipartisan agreement that higher education tax benefits are overly complex, and their benefits are poorly timed and regressive. We recommend streamlining existing education tax benefits by improving the American Opportunity Tax Credit (AOTC) and eliminating benefits that are less effective or targeted, such as the Tuition and Fees Deduction and Lifetime Learning Credit.

We also recommend eliminating the taxation of Pell Grants, which keeps many students from accessing tax benefits for which they are eligible. We support the inclusion of this provision in the Build Back Better Act.

Additionally, we urge lawmakers to permanently eliminate the taxation of forgiven student loan debt, regardless of the reason for discharge. Discharged debt is not a windfall of income and should not be treated as such. Legislation enacted in 2021 temporarily eliminated this taxation through the end of 2025. If lawmakers fail to extend this policy, borrowers will face a potentially large and unaffordable tax liability that would disproportionally affect persistently low-income borrowers.

REFORM THE STUDENT LOAN SYSTEM TO PROTECT BORROWERS

Ensure Borrowers Are Protected When Covid-19 Emergency Benefits End

If emergency student federal loan benefits end, millions of borrowers will be transitioned back into repayment. The Education Department must make a robust plan to ensure borrowers will be protected during this transition, especially as this transition coincides with major shifts in the servicing system.

Throughout the remainder of the pause, the Department must provide borrowers with clear and actionable information and resources, including access to timely and accurate assistance and guidance from servicers and the Department.

In advance of the restart, the Department should, at minimum, clear debt discharge backlogs related to borrower defense, total and permanent disability, and public service loan forgiveness. The Department should also use its authority to give borrowers who were in default a fresh start.

For those borrowers with remaining debt, the Department must implement key protections — including additional flexibilities — to protect borrowers from financial harm and ensure borrowers can easily access more affordable repayment options.

We support legislation introduced in the 117th Congress (H.R.5890) to create key safety nets for borrowers in advance of this transition.

Make Income-Driven Repayment (IDR) Work Better for Borrowers

Despite the availability of IDR plans — and significant improvements to program design and generosity over time — too many borrowers continue to struggle with repayment, with some even defaulting despite being enrolled in IDR.

Too many of these borrowers are never making it into IDR, and even for some who do, income-based payments can still be too high. Borrowers also struggle to navigate the bureaucratic hurdles of enrolling in and staying enrolled in IDR plans. Students from low-income households, Black and Latina/o students, students who do not complete their programs, and students who attend for-profit colleges are disproportionately likely to borrow to attend school and to struggle to repay that debt.

Also, many enrollees who are making regular IDR payments still struggle with negative amortization if their monthly payments are not enough to cover accruing interest. As a result, their balance balloon, even as they make regular payments. This is financially damaging and psychologically discouraging for the borrower and undermines IDR's effectiveness.

For IDR to better protect borrowers from unaffordable payments, keep borrowers out of default, and provide a reliable light at the end of the tunnel for debt that does not pay off, policymakers must make significant reforms to IDR design and implementation.

In fall 2021, the U.S. Department of Education began a negotiated rulemaking process that is widely expected to result in another new IDR plan. In creating such a plan, the Department must address both bureaucratic hurdles and broader design flaws by creating a more generous, fairer, and simpler plan, which must:

- Better address the needs of borrowers who historically have struggled with repayment;
- Be easy for borrowers to access and understand;
- Revise the formula for determining monthly payment amounts to make IDR payments more affordable for economically distressed borrowers;
- Prevent ballooning balances by restraining interest accumulation and ending all instances of interest capitalization for borrowers enrolled in IDR; and
- Provide real and automatic relief after a reasonable number of payments.

In addition, whether via regulatory action or legislation, policymakers must strengthen IDR further by:

- Ensuring that borrowers reliably receive automatic IDR forgiveness when they become eligible;
- Permanently ending the taxation of all discharged student debt;
- Automatically enrolling struggling borrowers into IDR to prevent defaults;
- Implementing the FUTURE Act to automating the enrollment and renewal processes to make IDR easier to access; and
- Better aligning servicer incentives to help borrowers access IDR and provide strong servicer oversight.

Improve Student Loan Servicing

Improving the federal student loan servicing system could significantly improve borrowers' repayment experiences and outcomes. As the Department continues developing its new servicing platform (NextGen) and transitioning borrower accounts from departing servicers, the Department must ensure that the new system is transparent to borrowers, that contractors' incentives are aligned with borrower success, and that contractors are subject to strong oversight.

Restore Bankruptcy Protections for Student Loan Borrowers

Bankruptcy provides a crucial protection for Americans facing severe financial hardship. The bankruptcy reform legislation passed in 2005 sets a high bar for granting relief, which helps ensure that consumers who receive relief are truly unable to pay. Yet federal bankruptcy law treats private education loans and federal student loans even more stringently than other forms of consumer debt, excluding both from discharge except in exceedingly rare cases of proven "undue hardship."

To remove barriers to relief for borrowers facing significant financial hardship, we support bipartisan legislation introduced in the 117th Congress (S.2598), as well as bipartisan legislation introduced in the 116th Congress (H.R.770, S.1414, and H.R.2648), to restore borrowers' ability to discharge student debt through bankruptcy.

Reform the Student Loan Default System

In addition to streamlining and improving the student loan repayment system, we recommend that policymakers re-think some of the consequences of student loan default and ensure they are not overly punitive and self-defeating.

These reforms include:

- Expand pathways out of default and allowing borrowers in default to access IDR plans.

- Remove the record of default from a borrower's credit history once they resolve the default, regardless of how they resolved it.

- Reform the Treasury Offset Program (TOP), through which borrowers with defaulted loans can have their wages or tax refunds garnished by the U.S. Department of the Treasury; TOP often causes financial hardship for those who can least afford it. We recommend that offsets be capped at a reasonable level for all borrowers and that low-income borrowers be exempted from TOP collections.

- End the practice of states suspending, revoking, or denying state licenses solely because borrowers are behind on their federal student loan payments.

- Remove the statutory mandate that borrowers pay for their own collection costs.

- Allow borrowers to rehabilitate their loan(s) more than once.

We are encouraged by the Department of Education's ongoing efforts to reform default and collections practices, including their plan (announced in fall 2021) to end contracts with the companies that had been contracted to collect defaulted student loans.

Reduce Risky Private Loan Borrowing & Improve Protections for Private Loan Borrowers

Require School Certification of Private Loans

More than half (53 percent) of undergraduates who borrow private loans borrowed less than the annual maximum allowed for safer federal student loans. Unfortunately, many students who borrow private loans — and the family members who co-sign them — do not understand the difference between federal and private loans until it is too late. Requiring private lenders to confirm a borrower's eligibility with his or her school before disbursing the loan ensures the student is eligible for that loan. It also gives the school a chance to help the student make an informed borrowing decision.

Students, schools, and lenders, as well as the CFPB and the Department of Education, have all endorsed requiring "school certification" of private loans, including notifying the student of remaining federal aid eligibility before the loan is certified. We urge the Department and the CFPB to require such certification for all private loans, and we support legislation introduced in the 116th Congress (S.2184) to require it.

Require Private Lenders to Discharge Loans in the Event of Death or Severe Disability

Congress should require private student lenders to discharge the loans of a borrower who dies or becomes totally and permanently disabled. Unlike federal student loans, there is no federal law requiring such discharges; some private lenders voluntarily provide these discharges under certain circumstances while do not. This means that private student loan borrowers and their families are not protected in the event of death or severe disability, an inequity that takes on new urgency in a global pandemic.

We support legislation introduced in the 117th Congress (H.R.2498) to make this reform.

Increase Community College Students' Access to Federal Student Loans

Too many community college students cannot get a federal loan if they need one, because their school does not participate in the federal loan program. While many community college students can avoid borrowing, those who need to borrow to stay and succeed in school should have access to the safest, most affordable option: federal student loans. Without access to federal loans, students may turn to risky and expensive private loans or credit cards, or they may drop out, work excessive hours, or take fewer classes — choices that reduce their odds of earning a degree or certificate.

Federal and state policies should encourage community colleges to participate in the federal loan program and better support them in helping students make informed borrowing decisions.

ENHANCE AND IMPROVE INSTITUTIONAL ACCOUNTABILITY

Strong college accountability is key to reducing the number of students left worse off by burdensome student debt. Stronger policies, oversight, and enforcement are urgently needed to address high-cost but low-quality programs. They also rein in predatory practices used to prey on targeted students, especially Black and Latina/o students, students from low-income backgrounds, first-generation students, and student veterans. The for-profit college sector disproportionately relies on problematic and predatory practices. Borrowing rates, debt levels, and default rates are highest across for-profits. The sector collectively enrolls only eight percent of college students but accounts for nearly one-third of all student loan defaults.

The Biden Administration has a responsibility to restore and strengthen important protections for students and borrowers that the previous administration either rescinded or weakened. The gainful employment rule, for example, should require career programs to demonstrate that average graduates' debts are reasonable relative to their earnings. The rule proved successful in lowering costs and improving the quality of career programs. Until it is put back in place, lack of the rule risks costing taxpayers an estimated $6 billion over ten years.

The Biden Administration must also implement a functioning borrower defense to repayment rule, following years of mismanagement and adoption of the current rule, which effectively makes full relief impossible to obtain for defrauded borrowers. Under the current rule, 97 percent of students who took out loans connected to illegal conduct by schools will nonetheless be required to repay those loans. Colleges would be held responsible for just one percent of loans made based on misconduct. The removal of these guardrails put students and taxpayers at greater risk of unaffordable debt, higher rates of default, and wasted time and money.

For-profit colleges also too often have closed suddenly, leaving their students with few options — and fewer still that are in their best interests. Nearly 90 percent of more than 1,200 recent college closures have come from the for-profit sector. More than 150,000 borrowers who attended the defunct ITT Technical Institute waited years for the Education Department to fully cancel federal loans taken based on misrepresentations or illegal conduct by colleges.

To issue this debt relief, the Department turned to court records, along with findings from the Consumer Financial Protection Bureau and Securities and Exchange Commission, to identify the origin of ITT's fraudulent behavior. Stronger protections for students enrolled by closed schools must swiftly make them whole and do so without needless administrative hurdles.

Strengthen Policies to Prevent Waste, Fraud, and Abuse

Congress must maintain existing accountability mechanisms, many of which lawmakers have adopted with bipartisan support and have proven successful over the course of decades. In 2021, for example, a bipartisan measure closed the longstanding 90/10 loophole that allowed for-profit colleges to skirt requirements to have a baseline of funding above a 10 percent threshold of non-federal sources. Congress has also prohibited the use of commissioned sales and other tactics associated with high-pressure and deceptive recruiting, as well as adopted measures to hold colleges more accountable for excessive student loan default rates.

Now Congress again faces the imperative to put stronger accountability measures in place to protect students and taxpayer investments. Legislation should restore the 85/15 rule to build on the 90/10 loophole closure, enact the *College Transparency Act*, and put in place the kind of comprehensive protections included in the PROTECT Student Act (116th).

For information on the broad coalition of student, consumer, civil rights, veterans, and college access organizations working to better protect students and taxpayers, visit ProtectStudentsandTaxpayers.org.

IMPROVE POSTSECONDARY DATA & CONSUMER INFORMATION TOOLS

Bring the Postsecondary Data System Into the 21st Century

The creation of a student level data network with strong protocols for maintaining student privacy and protecting data security is key to increasing the comprehensiveness and comparability of postsecondary data.

We have joined over 150 organizations, including business leaders, schools, student advocates and civil rights, in supporting the bipartisan, bicameral *College Transparency Act* (S.839, H.R.2030) to repeal the 2008 ban on a federal student level data network and implement holistic reform of postsecondary data infrastructure while protecting privacy and prioritizing data security.

Without such reform, important measures of student success and their relationship to student debt, including at key disaggregates by race/ethnicity, will remain out of reach of both students and policymakers, and public data will continue to fall short of reflecting all students.

Collect Private Student Loan Data

Student debt data currently available remain incomplete and uneven. For example, the total debt at graduation — including both federal and private loans — is still not available for each college. Data on student debt levels voluntarily reported by colleges show that 31 percent of student loan debt in high-debt states is non-federal debt, underscoring the need for more comprehensive, federally collected debt data.

The Department has made important progress by publishing graduates' median cumulative debt data on the College Scorecard using data from the National Student Loan Data System (NSLDS), including most recently by working toward finalizing program-level cumulative debt data. Yet, such data will remain incomplete because private loans are not included in NSLDS. Requiring colleges to report nonfederal loan data, either at the school level through IPEDS or at the student level via NSLDS, would be the most expedient path to collecting nonfederal debt data.

However, congressional action requiring the federal government to collect the data directly from lenders via the Education Department or the Consumer Financial Protection Bureau would improve data comprehensiveness and accuracy, as well as reduce burden on institutions. This collection would ideally be part of a federal student level data network, but it need not wait for such a system.

Improve and Promote Tools to Help Students Make Informed College Decisions

Students need more reliably accessible, timely, accurate, and comparable information to make informed decisions about where to go to school and how to pay for it. We recommend further improvements to and promotion of the following existing consumer tools:

- *College Scorecard:* The College Scorecard is an interactive online tool that provides consumer friendly information on the chances of completing, borrowing, or ending up with high debt and/or low earnings at a specific school. The Education Department has made important progress on including additional program-level data that increases the usefulness of that information. Unfortunately, it has also removed key contextual information that helped users interpret the information the Scorecard provides.

  The Department should immediately restore the threshold earnings rate metric to the College Scorecard and work to improve on that metric by calculating and publishing threshold earnings rates at the program level, in addition to the school level. The Department should also restore the display of national medians to College Scorecard data.

  The tool would be further improved by including a schools' graduation rate for Pell Grant recipients and by enhancing the interactivity of the sorting tools to allow users to compare colleges by degree level, selectivity, and location.

  Additionally, cumulative debt figures should allow for the calculation and comparison of state-level figures and include both federal and private loan debt as soon as they are collected and available.

- *Net Price Calculators:* Nearly all colleges are required to have a net price calculator on their website to provide an individualized estimate of how much the college would cost a particular student, well before they must decide where to apply. TICAS and others' research has found that many of these calculators are hard to find, use, and compare.

  We support bipartisan, bicameral legislation introduced in the 117th Congress (S.1448, H.R.5588) to make needed improvements to the design and accessibility of existing net price calculators. The legislation also authorizes the creation of a central portal that would let students quickly and easily get comparable net price estimates for multiple colleges without having to enter information multiple times in different places.

- *Financial Aid Offer Communications:* Students should be able to count on receiving clear and comparable information about how much college will cost them, regardless of the schools they are considering. Knowing how much they will need to save, earn, or borrow to cover remaining costs after grant aid is also key to being able to find the right financial fit, avoid surprise costs, and plan accordingly. Yet, research from TICAS and others shows too many aid offer communications fall far short of clearly and consistently providing key information on college cost and financial aid.

  We support bipartisan legislation introduced in the 117th Congress (S.1452) to require all colleges receiving federal aid to use consistent financial aid terminology in a standardized format developed through robust consumer testing involving a broad range of stakeholders, including students and schools.

- *Loan Counseling:* By law, all federal student loan borrowers must complete entrance and exit counseling. However, there remains significant potential as well as bipartisan support for enhancing federal student loan counseling to ensure that students receive clearer, timely, and actionable information on borrowing options and obligations. We support empowering schools to require annual counseling in order to more consistently provide students with information related to their previous and future borrowing decisions without deterring or restricting access to loans that students need to attend and succeed in college.

We support bipartisan legislation introduced in the 117th Congress (S.1445) to require annual loan counseling and provide critical information encouraging students to use federal student loans before considering risky private loans to pay for college, as well as another bipartisan bill (S. 887) to require annual loan counseling.

We also encourage the Department to continue evaluating and improving its online tools, including by consistently providing definitions of key terms, and more clearly explaining how to select or change a repayment plan.

To learn more about TICAS, see www.ticas.org or follow us on Twitter @TICAS_org