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February 23, 2018

The Honorable Lamar Alexander
Chairman
Senate Health, Education, Labor, and Pensions Committee
United States Senate
Washington, D.C. 20510

The Honorable Patty Murray
Ranking Member
Senate Health, Education, Labor, and Pensions Committee
United States Senate
Washington, D.C. 20510

Dear Chairman Alexander and Ranking Member Murray:

Thank you for the opportunity to provide our recommendations for improving federal higher education policy in advance of the reauthorization of the Higher Education Act (HEA). An independent, nonprofit organization, the Institute for College Access & Success (TICAS) works to make higher education more available and affordable for people of all backgrounds, with an emphasis on low-income, underrepresented students. For more than 12 years we have analyzed trends in student loan borrowing and worked to identify and advance practical solutions to promote college affordability and success, and to reduce the burden of student debt.

The need for higher education and training has never been so important to individuals and to our economy, and it has become essential to fulfilling the promise of more and better jobs for Americans who have been left behind. Yet the gaps in college enrollment, persistence, and graduation between those from high- and low-income families have widened, threatening the ability of qualified and willing individuals to secure a meaningful career, as well as our nation's economic competitiveness.

Your commitment to exploring a bipartisan HEA reauthorization process presents a critical opportunity for Congress to make progress in key areas of higher education policy that members of both parties have highlighted in recent years, including further simplification of the FAFSA, streamlining and improving student loans and their repayment, modernizing postsecondary data, and providing more clear, timely, and relevant information to student loan borrowers. In negotiating the details of potential policy changes, it is *imperative* that the Committee:

1. **Always place students' needs at the center of reforms;**
2. **Reject proposals that would increase the burden of student debt for struggling borrowers; and**
3. **Safeguard proven protections for students and taxpayers.**

Our specific HEA policy recommendations, most with solid bipartisan support, are detailed below. These recommendations are based on in-depth analysis of available data and recent research, and are geared towards ensuring that more students are able to complete a quality degree or credential without overly burdensome student loan debt, regardless of their socio-economic background.

We stand ready to work with the Committee on areas of shared interest to advance college access, affordability, and success. For more information, please contact our DC Office Director Jennifer Wang at jwang@ticas.org or 202-854-0230.

Sincerely,

James Kvaal
President, TICAS

cc: Members of the Senate Committee on Health, Education, Labor, and Pensions

Attachment

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Strengthen Pell Grants

Pell Grants are critical for the over seven and a half million low- and moderate-income students a year who rely on them to pursue higher education or training. Pell Grants are the federal government's most important investment in college access and success, and they have broad, bipartisan support from business, veterans, civil rights, and student groups, as well as from the higher education community. However, the purchasing power of Pell Grants has significantly declined over time. In fact, Pell Grants now cover the lowest share of college costs in over 40 years.[1] We urge the Committee to preserve and build on the success of the Pell Grant program by: making it a mandatory program, not subject to annual

[1] TICAS. 2017. *Pell Grants Help Keep College Affordable for Millions of Americans.* http://ticas.org/sites/default/files/pub_files/overall_pell_one-pager.pdf. For more information about Pell Grants, see http://ticas.org/pell-grant-publications-and-resources.

appropriations, to end the boom-and-bust cycle of surpluses and shortfalls; increasing the maximum grant amount to restore lost purchasing power; and indexing the grants to inflation to maintain its purchasing power going forward.

Some workforce and education advocates, focused on the need for more robust, accelerated pathways to employment, recommend expanding Pell Grants to cover instructional programs shorter than 15 weeks in order to help those who are seeking economic opportunity but not interested in or able to pursue a lengthier college credential. Concerns about quality and misconduct make it imperative to carefully consider - and avoid – any harmful consequences of expanding access to federal funds in this way. Because the current minimum standards for program-level Pell eligibility were designed to protect students and taxpayers from unscrupulous, low-quality education providers, the utmost care must be taken to avoid recreating or accelerating deceptive and fraudulent practices that put students and taxpayers at risk. Because institutional eligibility for federal aid provides several layers of important oversight, we strongly recommend against opening up Pell Grants to any entity that does not meet these institutional standards. Whether Pell Grants should be used to pay for programs shorter than 15 weeks (or 600 clock hours) at accredited, federal-aid-eligible institutions remains a valid policy question. However, neither the wisdom nor necessity of expanding federal Pell Grant funding to short-term programs should be considered a foregone conclusion. Important questions about program quality, value, and accountability - as well as the availability of data capable of supporting those assurances - must be addressed before determining whether Pell Grants are the best fit for funding these programs, and whether the benefits of using Pell Grants in this way outweigh both foreseen and unforeseen costs and consequences.[2]

Protect Access to Federal Student Loans

As a result of declining or stagnant incomes, steadily increasing college costs, and grant aid that hasn't been able to keep up, borrowing has become one of the primary ways that students and families pay for higher education. For the increasing number of students who need to borrow to attend and complete college, federal loans are the safest option available, providing all eligible students with equal access to credit with capped interest rates, flexible repayment plans, and consumer protections not otherwise available. Without federal loans, students may forgo college altogether, delay entry, reduce their odds of success by attending part-time or working too much, or turn to much riskier forms of credit, such as credit cards, payday loans, or private education loans.

Maintaining guaranteed access to federal student loans is imperative. However, we and other student advocates continue to request that the Education Department analyze data to assess the potential effects of prorating loan eligibility by attendance status on student access and success. Such a study is critical to ensure that any policy changes aimed at protecting students from potentially excessive borrowing don't instead deny low-income or underrepresented students access to college or to certain programs and careers.

[2] TICAS. 2017. *Pell Grants for Short-Term Programs: The Rationale and the Risks*. https://ticas.org/sites/default/files/pub_files/pell_grants_for_short-term_programs.pdf.

Improve Federal Student Loans

Simplify and Target Federal Student Loans

There is bipartisan agreement that student loans should be simplified for borrowers. The current federal student loan program is too complex, too arbitrary, and its benefits could be better targeted. TICAS proposes creating one simple, affordable undergraduate loan with improved targeting in place of the subsidized and unsubsidized Stafford Loans available today.[3] Our proposed single loan better aligns incentives and targets benefits and will be easier for borrowers to understand and keep track of, and for schools and the Education Department to administer. Critically, any savings from streamlining the loan program should be reinvested to increase affordability for low-income students.

Streamline and Improve Income-Driven Repayment (IDR)

Income-driven repayment (IDR) plans help millions of borrowers stay on top of their loans and avoid default, providing the assurance of manageable monthly payments tied to their income and family size, as well as a light at the end of the tunnel so that student loan payments do not last the rest of their lives. These plans serve as a crucial safeguard for borrowers with high debt relative to their income, particularly as more Americans rely on borrowing to get to and through college. There are currently five similar IDR plans that allow monthly payments as a share of income,[4] and we agree with a wide range of education stakeholders as well as members of both parties that those plans should be streamlined and improved. Student loan repayment is currently too complex and should be simpler and more consumer-friendly.

To ensure a fair, targeted, and effective student loan repayment policy, we propose capping monthly payments in IDR at 10 percent of income, with an income exclusion for low-income borrowers, and providing forgiveness after 20 years of payments.[5] To minimize the growth of loan balances for borrowers with low incomes relative to their debt, we propose a cap on accruing interest. This proposal ensures affordable monthly payments for all borrowers who enroll in IDR, while better targeting benefits to those who need help the most and preventing borrowers with high incomes and high debt from receiving loan forgiveness when they could have afforded to pay more.

In addition to a single, improved IDR plan, we recommend one fixed repayment plan for borrowers, with the repayment length based on their total debt. Some borrowers may prefer making the same monthly payment throughout the life of their loan, find IDR payments unaffordable because of other debts, or can afford to repay over a shorter time to minimize interest charges. For more information about why IDR may not be the best plan for everyone, see our white paper, *Should All Student Loan Plans Be Income-Driven? Trade-Offs and Challenges*.[6]

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[3] TICAS. 2013. *Improving Federal Student Loans for Undergraduates.* http://bit.ly/2hxd3u0.
[4] See our one-page chart summarizing the IDR plans here: http://www.ibrinfo.org/files/existing_idr_options.pdf.
[5] TICAS. 2017. *Make it Simple, Keep it Fair. A Proposal to Streamline and Improve Income-Driven Repayment of Federal Student Loans.* https://ticas.org/sites/default/files/pub_files/make_it_simple_keep_it_fair.pdf. TICAS. 2013. *TICAS Proposal to Create One Improved Income-Driven Repayment Plan.* http://bit.ly/2sQsJyY.
[6] TICAS. 2014. *Should All Student Loan Plans Be Income-Driven? Trade-Offs and Challenges*. http://ticas.org/sites/default/files/pub_files/TICAS_IDR_White_Paper.pdf.

Some have proposed automatically withdrawing student loan payments directly from borrowers' paychecks as a simpler way to repay student debt. However, higher education researchers have acknowledged that a paycheck withholding system for student loans would be very complex to operationalize.[7] Such a system would be particularly complex for workers with multiple jobs, the self-employed, and married taxpayers who file taxes jointly with their spouse, and would likely require integrating the student loan and income tax systems. New procedures would need to be created for students to choose repayment plans and apply for deferment and forbearance. Furthermore, some student loan borrowers have expressed serious privacy concerns about involuntary paycheck withholding. See our white paper mentioned above for a more in-depth discussion of the challenges and concerns about paycheck withholding.[8]

Reinstate Multi-Year Consent for Income-Driven Repayment

Data from the Education Department show that more than half of borrowers (57 percent) enrolled in IDR plans between November 2013 and October 2014 missed their annual deadline to recertify their income.[9] Failure to recertify on time can lead to sudden, significant jumps in monthly loan payments, sometimes when a borrower can least afford it. The Administration could move immediately to allow borrowers to give advance permission for the Education Department to automatically access their required tax information (sometimes called "multi-year consent"), which would make it easier for borrowers to continue making payments based on income. Unfortunately, despite bipartisan support,[10] a Memorandum of Understanding between the Education Department and Treasury to implement multi-year consent appears to be stalled.

We encourage the Committee to work with their colleagues on the Senate Committee on Finance to include the bipartisan SIMPLE Act in HEA reauthorization. The SIMPLE Act, sponsored in the House by Representatives Ryan Costello (R-PA) and Suzanne Bonamici (D-OR), and introduced in the Senate by Senator Ron Wyden (D-OR),[11] would automate the annual income recertification process for IDR and automatically enroll severely delinquent borrowers in an IDR plan before they default. These changes are also included in the President's fiscal year 2019 budget, and enjoy widespread support from student advocates, policy experts, servicers, and members of both sides of the aisle.

Improve Student Loan Servicing and Collections

We urge the Committee to prioritize both preventing default and helping Americans exit default. There are currently a record 8.6 million federal student loan borrowers in default, a number that is clearly too high given the availability of income-driven repayment plans to keep monthly loan payments affordable

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[7] New America, Young Invincibles, and the National Association of Student Financial Aid Administrators (NASFAA). 2015. *Promise and Compromise: A Closer Look at Payroll Withholding for Federal Student Loans.* http://bit.ly/1MxWdoM.

[8] TICAS. 2014. *Should All Student Loan Plans Be Income-Driven? Trade-Offs and Challenges*. http://ticas.org/sites/default/files/pub_files/TICAS_IDR_White_Paper.pdf.

[9] U.S. Department of Education. "Sample Data on IDR Recertification Rates for ED-Held Loans." Shared on April 1, 2015 at the second negotiated rulemaking session. http://www2.ed.gov/policy/highered/reg/hearulemaking/2015/paye2-recertification.pdf.

[10] TICAS. Blog Post. February 14, 2017. "Progress and Bipartisan Agreement on Helping Keep Student Loan Payments Affordable." http://bit.ly/2Gytmzk.

[11] Rep. Bonamici. Press Release. August 3, 2017. "Bonamici, Costello, Moulton, Meehan Announce Bipartisan Effort to Prevent Student Loan Defaults." http://bit.ly/2fcEVDO.

for those who are struggling to make payments.[12] Defaulting on a federal student loan has severe and long lasting consequences for student loan borrowers and the economy, including ruining the borrower's credit and adding significantly to the cost of the loan.

There is bipartisan agreement that student loan servicing must be improved. In 2016, House Education and the Workforce Committee Chairman John Kline and Higher Education and Workforce Training Subcommittee Chairwoman Virginia Foxx sent a letter documenting the need for improvements to servicing, citing issues including inadequate oversight of contractors, a lack of minimum standards, and inconsistent and inefficient services to borrowers.[13] We share many of the concerns cited in that letter.

While some changes will require legislation, many servicing problems can be addressed administratively through improved oversight of contractors and contracting changes. We are encouraged by the Education Department's stated goals of its servicing overhaul and urge this Committee and the Administration to prioritize the needs of student loan borrowers as it improves servicing. We hope Congress will support the effort to better serve the needs of borrowers.

Additionally, there is a need to improve processes for borrowers in default to help them get back into repayment. For example, an overhaul of the loan rehabilitation process is needed, so that borrowers can get back into good standing and restore their credit. Changes to loan collections could also greatly reduce the number of borrowers in default, helping millions of Americans contribute fully to the economy and better support their families. For example, a recent government report estimates that current policies and practices lead one-in-three rehabilitated student loan borrowers to re-default within two years despite likely qualifying for zero-dollar monthly payments under an income-driven plan.[14] Taxpayers pay debt collectors as much as $40 for every dollar they collect through rehabilitation, even if the borrowers quickly re-default. Among other changes, we recommend contractors be compensated for keeping borrowers out of default, not simply for getting borrowers out of default only to immediately re-default. In addition, we recommend contractors be required to inform borrowers if their loans may be eligible for loan cancellation due to disability, school closure, or fraud.

Protect Students and Taxpayers from Colleges that Overcharge and Underdeliver

Ensure Colleges Maintain their Focus on Reducing Defaults Among their Students

Holding schools accountable for their Cohort Default Rates (CDRs), as was first established with bipartisan support more than 25 years ago, pinpoints colleges' attention on the single most devastating borrower outcome: default. When a loan defaults, the entire balance becomes due immediately, interest is capitalized, additional fees are added, students are barred from additional financial aid, credit

[12] Calculations by TICAS using data from the U.S. Department of Education, Federal Student Aid Data Center, "Direct and Federal Family Education Loan Portfolio by Loan Status," http://bit.ly/1O6zgrW. Loan portfolio data as of September 30, 2017, accessed December 13, 2017.

[13] U.S. House of Representatives Committee on Education and the Workforce. Press Release. August 8, 2016. "Committee Raises Concerns with FSA Management, Single Servicer Proposal." http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=400962.

[14] Consumer Financial Protection Bureau (CFPB). Press Release. October 17, 2016. "CFPB Projects that One-in-Three Rehabilitated Student Loan Borrowers Will Re-default Within Two Years." http://bit.ly/2fEbUju.

reports are damaged, and a wide array of collection tools are put in use, from wage garnishments to lawsuits. The severe consequences of default on student borrowers demand that we focus colleges' attention on—and hold them accountable for—helping students avoid that devastating outcome.

The fact that few schools lose eligibility should not obscure how accountability for student loan defaults successfully addressed a crisis and immediately helped drive down the CDR over a 13-year period, from a high of 22.4% in 1990 to 4.5% in 2003.[15]

We agree with many that other measures of student loan outcomes, such as a repayment rate that captures a wider range of borrower outcomes, have value. Yet, despite growing interest in repayment rates, there is not yet a single established calculation, and in many cases the data are not available to model the impacts of applying an accountability scheme based upon repayment rates, which is a critical first step in designing a system that avoids potential unintended consequences.

Trading the CDR for a brand new accountability metric is not a solution to shortcomings of the CDR, which can and should be addressed. The abundant evidence of CDR manipulation by for-profit colleges[16] does not call for eliminating the metric, but rather strengthening it through regulatory and administrative actions, such as ensuring that forbearances are granted in the interests of the borrower and targeting program reviews based upon evidence of possible CDR manipulation.[17]

Eliminating the CDR by replacing it with another metric for which many open questions remain could invite unintended negative consequences for students if it detracts from colleges' default prevention efforts. Furthermore, without strong safeguards, program-level accountability measures can be particularly ripe for manipulation because of how simple it is for schools to make slight modifications to their program offerings in order to make failing programs look like new, untested programs.

Increase Colleges' Skin in the Game and Improve Student Outcomes by Combining Rewards and Sanctions

There is strong bipartisan support for improving the current federal aid eligibility system, which uses a blunt, all-or-nothing strategy that allows schools to maintain the status quo, even if their performance consistently falls near the established failing threshold. With few exceptions, federal policies currently treat all colleges alike, regardless of their record of serving students well. This one-size-fits-all approach to regulation and oversight tends to over-regulate the best colleges and under-regulate the worst. To provide effective incentives for colleges to improve and reward schools that serve low-income students well, we recommend a federal aid eligibility policy that supplements other existing accountability measures. By using a student-based debt outcome measure, our proposal to improve the current CDR-based Title IV eligibility structure ties federal aid eligibility to the actual financial risk students take by enrolling and the risk taxpayers take by subsidizing the school.[18] The proposal includes graduated risk-

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[15] U.S. Department of Education, two-year cohort default rates. https://www2.ed.gov/offices/OSFAP/defaultmanagement/defaultrates.html. Note that starting in FY2012, cohort default rates are only measured over a three-year period, and two-year rates are no longer calculated.

[16] United States Senate Health, Education, Labor and Pensions Committee. 2012. *For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success.* http://bit.ly/NbKeiW.

[17] For more information, see TICAS. 2015. *Comments on Topics for Negotiated Rulemaking:* Docket ID: ED-2015-OPE-0103. Pp. 10-14. http://bit.ly/2EMDTWy.

[18] TICAS. 2016. *A New Approach to College Accountability: Balancing Sanctions and Rewards to Improve Student Outcomes.* http://ticas.org/content/pub/new-approach-college-accountability.

sharing payments to prompt colleges to improve, as well as rewards to encourage colleges that serve students well to innovate and enroll more low-income students. Robust rewards for schools serving their students well are critical to protecting against the real risks of reduced access for low-income and other marginalized students that would be introduced by any new system in which some or all schools are required to make payments tied to their students' borrowing outcomes.

Retain Protections for Students and Taxpayers

Over the past 30 years, rising numbers of unaffordable and defaulted student loans have led policymakers to raise standards for colleges and universities. These reforms have already begun to work. That is why we strongly oppose provisions that roll back or eliminate existing guardrails relating to program integrity and consumer protections in higher education. To do so would undo decades of work to protect students from costly, low-quality programs and high-pressure and deceptive sales tactics, and risk returning to the days that hundreds of thousands of students were left with debts they could not afford to repay.

It is imperative that this Committee adopt a principle of "first, do no harm" by undermining the mechanisms that are currently in place, many of which were adopted with bipartisan support and have proven successful over the course of decades. Removing these guardrails, even if this Committee intends to replace them with other, untested metrics, puts students and taxpayers at greater risk of unaffordable debt, higher rates of defaults, and wasted time and money. In particular, we strongly oppose any attempt to weaken, delay, or eliminate the gainful employment rule, the borrower defense rule, the 90-10 rule, and the ban on incentive compensation. For more information about our support for these critical guardrails, see our response to Chairman Alexander's white paper on accountability.[19]

Simplify the FAFSA Process

Millions of students file the Free Application for Federal Student Aid (FAFSA) each year. It is the only way to access federal Pell Grants, student loans, and work-study jobs, as well as most state grants and college scholarships. Students and families are now able to file the FAFSA earlier and more easily than ever before, including through the use of the IRS Data Retrieval Tool (DRT), which automatically populates pre-verified financial information into the FAFSA. Even with these meaningful improvements, more progress is possible. With members of the HELP Committee continuing to prioritize simplification efforts, including Chairman Alexander, there is currently broad, bipartisan interest in further simplifying the overall process of applying for and ultimately receiving aid for which students are eligible.

We have identified 20 questions that we recommend be removed from the application.[20] These burdensome financial questions cannot be automatically answered using IRS data and require students to collect detailed financial information from multiple sources, while having minimal impact on the allocation of aid. We also strongly recommend retaining the existing FAFSA questions on household size, marital status, dependency status, and number of college students in the household. These four questions can substantially affect how much aid for which a student qualifies. While we support better aligning the information required by the FAFSA with government data that are already available, there are serious limitations to the potential alternative data elements available from IRS for these specific

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[19] TICAS. February 16, 2018. Response to Senator Alexander's White Paper and Request for Information on Accountability. http://bit.ly/2oqutJG.

[20] TICAS. Memorandum. June 29, 2015. "Recommendations for Eliminating Specific FAFSA Questions to Further Simplify the Federal Student Aid Application Process." http://bit.ly/2gFtt1H.

questions, particularly given the recent repeal of personal exemptions. As the Committee considers reducing the number of questions in the FAFSA form, we caution against potential oversimplification, which could lead to the re-emergence of multiple forms and processes at the state and college level based on their own information needs and desires.

It is also imperative that efforts to simplify the FAFSA take into account the entire process, including reducing unnecessarily burdensome verification requirements for both students and schools. In 2014-15 (the most recent year for which data are publicly available), the Education Department required colleges to ask 5.3 million students[21] – more than one in four aid applicants – for additional verification paperwork *after* they submitted the FAFSA. While the DRT plays a key role in FAFSA simplification by both reducing the number of financial questions a student must manually answer and providing data that are pre-verified, verification remains a complex, burdensome process. This added step primarily affects low-income students, delaying aid and enrollment while adding administrative burdens for colleges. Our recent report reveals the significant impact of verification on students and schools.[22] It includes findings from a survey of over 600 college financial aid administrators; the majority of these administrators said verification takes up more than 25 percent of their offices' time, and one in five said it takes more than 50 percent.

Improve Consumer Information and Tools

Bring Postsecondary Data into the 21st Century

Students and families need timely, robust data in order to make informed choices about where to go to school and how to pay for it. The current infrastructure provides many critical data points, and recent, useful, and welcome improvements to IPEDS have been crucial to filling gaps on outcomes for groups like Pell Grant recipients, part-time, and transfer students. Yet a complete picture of all postsecondary experiences and outcomes for all students remains out of reach. For example, the data available can't identify transfers from community colleges to four-year colleges; omit students who don't receive Title IV aid from workforce and earnings metrics; and do not allow disaggregation of many important metrics by key student demographics. HEA reauthorization provides the ideal opportunity to make needed comprehensive policy improvements to our current postsecondary data system in order to better serve students, schools, states and policymakers. To overcome the current limitations, policymakers should remove federal barriers that hamper the use of existing federal, state, and institutional data by matching these data sources through a more coherent, nimble, secure, and privacy-protected student-level data network (SLDN). The bicameral, bipartisan College Transparency Act (CTA), would create an SLDN consisting of a limited set of data elements to answer specific questions of national importance, and includes critical privacy and security protocols. We join more than 130 organizations, representing students, institutions, veterans, college access providers, and employers in supporting the CTA.[23]

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[21] U.S. Department of Education. 2015. "Session GS2: FAFSA Application Processing and Verification Update." Presentation at the Federal Student Aid Training Conference for Financial Aid Professionals. http://fsaconferences.ed.gov/conferences/library/2015/2015FSAConfSessionGS2.ppt.

[22] TICAS. Press Release. November 16, 2016. "Voices from the FAFSA Frontlines Reveal Complexity and Costs of 'Verification' Paperwork Affecting Millions of Low-Income Students." http://ticas.org/sites/default/files/pub_files/on_the_sidelines_nr.pdf.

[23] Postsecondary Data Collaborative. Press Release. May 23, 2017, updated October 31, 2017. "Postsecondary Data Collaborative and Workforce Data Quality Campaign Applaud Bipartisan, Bicameral College Transparency Act." http://bit.ly/2ry61tM.

Establish a Universal Net Price Calculator

Net price calculators can help prospective college students look beyond college "sticker prices" to get early, personalized estimates of college costs and financial aid, but our research has found that many of these online tools are difficult to find, use, and compare.[24] Making it easier to find and compare these cost estimates would help students and families make more informed decisions about which colleges to apply to and attend. We strongly support bipartisan legislation to improve net price calculators, including the creation of a "universal net price calculator" – a central website that would allow students to answer one set of questions and obtain comparable net price estimates for multiple colleges at once.[25] This single portal for students would dramatically simplify the current time-consuming process of finding and filling out different sets of questions on each college's website, and would show students their expected cost of attendance at different institutions, including financial aid, in a format that is easy to understand and compare. Colleges could continue to create their own customized net price calculators for students who are seeking more precise estimates and who are able to provide more detailed financial and other information.

Reduce Complexity for Students Comparing Financial Aid Offers

Our recent analysis found that many award letters fail to provide clear and complete information about costs, financial aid, and the amount that students would actually have to save, earn, or borrow to attend college.[26] The only way to ensure that students have the information they need to understand and compare financial aid award letters is to standardize their key elements. While the Financial Aid Shopping Sheet is available as a voluntary standard format,[27] many colleges do not use it, or don't provide it to all of their students. To guarantee that students receive clear and comparable information from every college to which they are admitted, we support bipartisan legislation that would require all colleges receiving federal aid to use a similar standardized format.[28]

Improve Student Loan Counseling to Empower Students to Make Informed Decisions

By providing students with clear, timely and actionable information related to student loan borrowing, federal student loan counseling can play an integral role in helping students make borrowing decisions that both enable them to achieve their educational goals and avoid delinquency and default. The law currently requires that federal student loan borrowers receive entrance and exit counseling. But the timing, content, and presentation of information in loan counseling all need to be improved. The Education Department's current online counseling, used by thousands of colleges, should be enhanced to provide students access to more clear, timely, and actionable information. Loan counseling should

[24] "Net price" is the difference between the total cost of attendance and grant/scholarship aid. It can also be understood as the amount that students and their families have to earn, save, or borrow to attend a particular school. For more information about net price calculators, visit http://ticas.org/net-price-calculator-publications-and-resources.

[25] Sen. Grassley. Press Release. April 11, 2017. "Grassley, Franken Re-introduce Bipartisan Bills to Help Students Understand Cost of College, Make Cost Comparisons Easier." http://bit.ly/2FjLmOi.

[26] TICAS. 2017. *Cost in Translation: How Financial Aid Award Letters Fall Short.* https://ticas.org/content/pub/cost-translation.

[27] For more information about the Financial Aid Shopping Sheet, see https://www2.ed.gov/policy/highered/guid/aid-offer/index.html.

[28] Sen. Grassley. Press Release. April 11, 2017. "Grassley, Franken Re-introduce Bipartisan Bills to Help Students Understand Cost of College, Make Cost Comparisons Easier." http://bit.ly/2FjLmOi.

more consistently and clearly provide students with information related to their previous and future borrowing decisions, and the repayment options available to them, without deterring or restricting access to loans that students need to attend and complete college. Borrowers should be counseled before rather than after they sign their promissory note, and exit counseling should better facilitate borrowers' understanding of the tradeoffs among repayment options based on the borrower's expected income and total student debt, and between keeping monthly payments low versus reducing the total cost of their debt.

While the Education Department has worked to improve the current online entrance and exit counseling, further enhancing federal student loan counseling has consistent bipartisan, bicameral support. The bipartisan Know Before You Owe Federal Student Loans Act[29] introduced in the Senate would provide annual counseling, and the bipartisan, bicameral Empowering Students Through Enhanced Financial Counseling Act,[30] would also make loan counseling annual, and provide critical information encouraging students to use federal student loans before considering risky private loans to pay for college.

Improvements to Higher Education that Cross Committee Jurisdiction

There are several higher education issues worth addressing that cross jurisdictional lines. We encourage the HELP Committee to work with their colleagues on other committees to address them. Two in particular are likely of interest to this Committee: restoring private student loan bankruptcy and promoting simplification and targeting of higher education tax benefits.

Treat Private Student Loans like Other Consumer Debt in Bankruptcy

Since 2005, it has been far more difficult to discharge private loans than credit cards and other consumer debt in bankruptcy. This leaves most private loan borrowers at the mercy of their lender if they face financial distress due to unemployment, disability, illness, or military deployment, or when a school shuts down before they can finish their certificate or degree. We are part of a broad coalition that supports legislation, The Fairness for Struggling Students Act (S.1262), to restore fair bankruptcy treatment to private loan borrowers.

Promote Simplification and Targeting of Higher Education Tax Benefits

Despite major tax reform signed into law this year, higher education tax benefits remain overly complex, and too poorly timed and targeted to efficiently increase college access or success. We encourage the HELP Committee members to to lead the way in advocating for Congress to move forward with common-sense improvements to education tax benefits, including those reflected in bipartisan legislation introduced in 2013,[31] which dramatically streamlined tax benefits by improving the American Opportunity Tax Credit (AOTC) and eliminating less targeted and less effective benefits such as the

[29] Sen. Grassley. Press Release. July 25, 2017. "Grassley, Ernst, Franken Introduce Know Before You Owe Federal Student Loan Act of 2017." http://bit.ly/2EMo2vJ.

[30] See, for example, U.S. House of Representatives Committee on Education and the Workforce. 2016. "Bill Summary: The Empowering Students Through Enhanced Financial Counseling Act." http://bit.ly/2hxHm3Y.

[31] Rep. Black. Press Release. Oct 30, 2013. "Black and Davis Unveil the Student and Family Tax Simplification Act." http://bit.ly/2HEuFOg.

Tuition and Fees Deduction and Lifetime Learning Credit.[32] This bill also proposed eliminating the taxation of Pell Grants, removing unnecessary complexity that keeps many students from accessing the tax benefits for which they are eligible; a call echoed by bipartisan legislation introduced in 2016.[33]

Additionally, to simplify the tax code, ensure equity, and reduce the burden of student debt, we recommend eliminating the taxation of forgiven or discharged federal student loan debt. For example, currently, loan balances discharged after 10 years of payments under the Public Service Loan Forgiveness program (PSLF) are not treated as taxable income. But balances discharged after 20 or 25 years of responsible payments in an income-driven repayment (IDR) plan *are* treated as taxable income. This potential tax liability may discourage some of the borrowers IDR was designed to help most from enrolling. Recent tax reform legislation changed the law so that loans discharged due to death or permanent disability are no longer treated as taxable income, and Congress should do the same for borrowers making income-driven payments.

[32] For more information about our recommendations, see TICAS. 2014. *Streamline and Improve the Targeting of Education Tax Benefits*. http://bit.ly/2gDUKDD.
[33] Rep. DeSaulnier. Press Release. September 13, 2016. "Congressman DeSaulnier Announces Bi-Partisan Legislation to Expand Pell Grants and Eliminate Taxes on Non-Tuition Expenses." http://bit.ly/2cTZEeB.