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HEARING BRIEF

**HOUSE SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT
HEARING: "IMPROVING FEDERAL STUDENT AID TO BETTER MEET THE NEEDS OF
STUDENTS"**

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The House Education and the Workforce Subcommittee on Higher Education and Workforce Development convened a hearing, “Improving Federal Student Aid to Better Meet the Needs of Students.” It was the subcommittee’s first hearing of the year and the first of what is expected to be several hearings in advance of the reauthorization of the *Higher Education Act* (HEA).

Opening Statements

The hearing was the first subcommittee hearing chaired by **Rep. Brett Guthrie (R-KY)** who opened the hearing by highlighting his *Empowering Students Through Enhanced Financial Counseling Act*. Guthrie also spoke to proposals around “one-grant, one-loan,” but also said “streamlining” did not equate to “cutting.”

In her opening statement, **Rep. Susan Davis (D-CA)** also spoke to the need for simplification, but juxtaposed that against the Administration’s call for significant cuts in student aid and the recent shutdown of the IRS-ED Data Retrieval Tool (DRT). Davis also called for a return to year-round Pell and additional support for the Campus-Based Aid programs.

Witnesses

- **JoEllen Soucier**, Executive Director of Financial Aid, Houston Community College System
- **Kristin Conklin**, Founding Partner, HCM Strategists
- **Youlonda Copeland-Morgan**, Vice Provost, Enrollment Management, UCLA
- **Matt Chingos**, Senior Fellow, Urban Institute

As the hearing was designed to educate members, particularly new members, on issues and proposed reforms in the Title IV student aid programs, the witnesses had familiar roles. Soucier was there to provide the financial aid perspective, particularly as she has been very active with NASFAA and other student aid groups; Conklin offered the recommendations from multiple, if now dated, projects funded by the Bill and Melinda Gates Foundation for its “Reimagining Aid

Delivery and Design” (RADD) initiative; Chingos reviewed many of the themes covered by the book he co-authored, Game of Loans, the most notable being that the “student debt crisis” portrayed in the media is largely a thing of fiction; and Copeland-Morgan, the leader of financial aid for UCLA, served as the Democratic witness and was very supportive of existing programs.

There were differences among the witnesses, but they largely agreed on broad themes and certain specifics. There was consensus that simplification for all involved parties—students, schools, and policymakers—should be a top goal for HEA reauthorization, but the panel did not agree on what exactly that means. For instance, on the Campus-Based programs, Conklin and, to a lesser extent, Chingos, advocated for consolidating all existing programs into a “one grant/one loan/one work study” structure, while Soucier called for a “one grant/one loan/one campus based” and Copeland-Morgan repeatedly emphasized the importance of the SEOG and Perkins Loan programs.

One specific policy proposal receiving support from all witnesses is Year-Round Pell Grants. It seems that most experts, Republicans and Democrats have coalesced around this proposal. However, it remains to be seen if this can be addressed via HEA reauthorization or another vehicle, such as an appropriations bill.

MEMBER QUESTIONS

Representative Virginia Foxx (R-NC), the Chair of the full Committee, began the witness questions session by asking Soucier about her institution’s participation in an “aid like a paycheck” program, which disburses funds across the semester instead of one lump-sum disbursement. Soucier said her institution has found the program valuable as a retention tool because it can assist those who drop-out/stop-out from dealing with a Return of Title IV (RT24) situation which can often preclude them from re-enrolling. Foxx then turned to Chingos to discuss his proposal to eliminate the subsidized Stafford Loan program and move more toward a “one-grant/one-loan model.” Chingos responded he would prefer to direct subsidies into upfront grants. Foxx finished her questions by asking Conklin about her proposal to increase the course-load requirement from 12-credit to 15-credit hours. Conklin suggested the current full-time requirement can mislead students to believe they are on course to graduate, she also pointed to improvements in Indiana which she attributed to a focus on 15-credit hours.

Framing her question around the President’s proposed budget cuts, **Subcommittee Ranking Member Davis** began her questions by asking Copeland-Morgan about the importance of the Campus-Based Aid programs. Copeland-Morgan responded these programs are not just critical for access, but also retention and completion for recipients. She said, “The idea you would have one loan and one grant sounds simple enough, but in fact, life is complex and being a student is complex.” She specified that all three programs—Perkins, SEOG, and Work Study—are the tools financial aid administrators use to fill gaps and keep students in school. Copeland-Morgan also noted that efforts to simplify the programs are likely to come up short because of the existence of state and institutional aid and warned that oversimplifying the FAFSA could be very problematic. Davis closed her questions by asking Soucier about verification and concerns with the DRT tool going down. Soucier responded that verification is taxing both on students and aid

offices and noted concerns about verification increasing with DRT down during application season.

Subcommittee Chairman Brett Guthrie started his questions by referencing Chingos' work showing students are unaware of what they owe. He then asked Soucier about the HCC system's efforts on counseling. Soucier said the system has several staff committed to loan counseling around student debt and other programs aimed at financial wellness, but there are limits under current law on what schools can require of their students. Guthrie then turned to Conklin to explain her proposal to eliminate deferment and forbearance. Conklin said income-derived repayment makes the tools much less necessary to help struggling borrowers. The Subcommittee Chairman closed his questions by asking Chingos about the Bennet Hypothesis, which suggests the availability of student aid drives up tuition prices. Chingos responded the research testing this hypothesis is mixed, but he believes non-capped aid programs, such as Grad PLUS, and schools where nearly all aid is federal are the most likely situations to prove the hypothesis.

Representative Adriano Espaillat (D-NY) took umbrage with Chingos' proposal to do away with Public Service Loan Forgiveness, noting that teachers, social workers, nurses, and others in high need professions make use of this program. Chingos responded he believed loan forgiveness, particularly PSLF, was "a blunt instrument" to try to achieve the very worthwhile goals of rewarding service in these professions.

After noting she was also the first in her family to graduate from college, **Rep. Elise Stefanik (R-NY)**, focused on Year-Round Pell. Stefanik pointed to her *Flexible Pell Grants for the 21st Century Act*, which seeks to address implementation issues with year-round Pell. Witnesses responded that year-round Pell is a very good thing, and Stefanik closed her time by urging her colleagues to cosponsor her bill and move it this Congress.

Representative Alma Adams (D-NC), a co-chair of the House HBCU Caucus, began her questions by noting that several proposals to bring back the private sector in student lending are now centered around reforming, or even eliminating, the PLUS program for parents and graduate students. She then asked Copeland-Morgan if students would be harmed by such reforms. Copeland-Morgan responded many would be harmed by such a change because they would not be able to access private loans. She also referenced "predatory practices" in the private market and said schools had not been as focused on counseling students on private loans since the switch to Direct Loans.

Representative Rick Allen (R-GA) asked Chingos how to "change the narrative" surrounding student debt to better address the issues he's described as the real problem in student lending. Chingos responded the \$1.3 trillion is an eye catching number and noted the change in composition of federal loan borrowers since 1992—more affluent students and families are making use of the programs and the ensuing narratives often chronicle their concerns. Allen also asked Conklin about reforming the Work-Study allocation formula. She agreed it was necessary and noted there are more Work-Study funds available at Columbia than Florida State University, which has more than four times as many Pell recipients than Columbia. She also described the Sunshine State's land-grant as a "local access university."

The questions from one of the newest Democratic members of the Committee, **Rep. Raja Krishnamoorthi (D-IL)**, did not sound like a typical Democrat on higher education issues and student aid. Krishnamoorthi said his biggest concern is “burning up” increased aid in the “galloping costs of higher education.” His remarks also came close to endorsing the Bennett Hypothesis by referencing a New York Federal Reserve study which suggests there is a correlation between increasing aid and increasing tuition prices. Krishnamoorthi said he was looking for answers on the proper federal role. Panelists agreed a balance is needed, and Conklin and Chingos indicated there are areas in higher education and student aid where the Bennett Hypothesis is applicable.

Representative Paul Mitchell (R-MI) used his time to review what he describes as the “information crisis” in higher education. In particular, Mitchell, the former head of a for-profit technical school (Title IV eligible), is most interested in earnings data. He noted his school would provide program-level data which also included demographic and geographic information for prospective students. He (rhetorically) asked why students are not made better aware of completion and graduation rates at all schools.

Representative Jared Polis (D-CO) began his remarks by criticizing the Trump Administration for its FY 2018 budget request and the decision to allow collection fees on certain defaulted FFELP loans. He then thanked Chairman Guthrie for indicating that simplification does not necessarily mean cuts, but also noted the “one grant/one loan” proposals are cuts. Polis asked the two aid administrators for their feelings on income-driven repayment. Both agreed that income-driven repayment should be the default option where students would need to opt-out for the standard payment. Polis also touched his support for year-round Pell Grants.

Representative Jason Lewis (R-MN) began his questions asked about the role of third party payors with increasing costs and moral hazard. Lewis noted the only thing that seems to be increasing faster than tuition is textbook costs, which still points to support for the Bennett Hypothesis. Chingos’ response targeted programs at specific interests, such as providing low-income students with access to higher education. Lewis also inquired about integrating the FAFSA process with tax filings. Conklin said it was possible, and argued the only reason the government collects information on family assets for distributing aid was the subsidized Stafford Loan Program.

Representative Gregorio Kilili Camacho Sabla (D-Northern Mariana Islands) noted he was an original cosponsor on the SAFRA legislation, which converted to 100% Direct Lending and increased Pell funding for 10 years. He noted the importance of Pell in his territory and said he was looking to strengthen the program. Beyond increasing funds, Copeland-Morgan said there appears to be a growing consensus around year-round Pell.

To begin his remarks, **Rep. Luke Messer (R-IN)**, compared the consumer-tested disclosures on private student loans to the current Master Promissory Note for Direct Loans. He asked Soucier if she thought consumer-testing was appropriate. Soucier agreed and said beyond the information on the disclosures, they need to happen more often. Messer then pointed to the work of Indiana University in providing their annual “student debt letter” and said he is working on

legislation to take it national. He closed his remarks by asking Conklin about income-share agreements (ISAs). She said there is “real promise” with these products.

Representative Mark Takano (D-CA) began his questions by pushing back against his Republican colleagues who had been referencing the Bennett Hypothesis at earlier parts in the hearing. According to Takano, the hypothesis is only applicable to one sector—the for-profits. He also asked Copeland-Morgan about efforts to rein in federal aid. She responded that students would be harmed by drastic cuts and adeptly switched to promoting the Perkins Loan Program. Copeland-Morgan reminded the Committee that the government has not invested in the program in “over a decade” and it can serve low and moderate income much better than the private loan market.

Representative Lloyd Smucker (R-PA) was extremely interested in integrating earnings information at the program level into the application process. Chingos noted such work is occurring at the state level and said he thought there was the potential to take it to the national level. Conklin pointed to work at the state-level in Texas, while Copeland-Morgan said this type of information sharing was often occurring in college career services offices but acknowledged many schools could do more in this area.

Noting how much the topic of financial aid and college costs comes up in her state, **Rep. Lisa Rochester (D-DE)**, asked about making students and families aware that college can be affordable and they are eligible for financial aid. Copeland-Morgan said Work-Study recipients are often doing this work in local communities and advocated for efforts to improve early awareness programs. Rochester closed her time by expressing concern with proposals to eliminate the Graduate PLUS Loan Program. Conklin referenced Guthrie’s early comments that “simplification does not mean cutting” and indicated the RADD proposals would increase the loans available to graduate students. Under current law, graduate students can borrow \$138,500 through in Stafford Loans, but they would only be eligible for \$125,000 in the RADD proposals.

The remarks of **Rep. Glenn Grothman (R-WI)** garnered the most attention from the hearing. Grothman indicated he has heard from middle-class families who are “resentful” of Pell Grants due to a “lack of fairness.” He also asked if Pell funds are going to non-academic related items, such as electronics and other gadgets. The panel appeared a bit uncomfortable with the question, and Conklin pointed to the inherent middle-class subsidies of low-tuition at public colleges. Grothman then mentioned “anecdotal evidence” he received of people not getting married to qualify for more aid. Soucier said that, on some rare occasions, families are seeking to limit their incomes by having one-income, as opposed to two, and are not getting married. Grothman finished his questions by asking the panel to agree there are too many students going to four-year colleges. Conklin would go as far as saying there are not enough associate degree and certificate programs leading to good jobs.

Representative Mark DeSaulnier (D-CA) began his questions by indicating the full cost of college is often lost in the discussion over tuition. Copeland-Morgan mentioned the importance of the Campus-Based programs in assisting with the room and board, books, etc. Conklin also talked about the importance of helping students access existing local, state, and federal programs, such as food stamps and food banks.

Returning to a familiar theme, **Rep. Joe Courtney (D-CT)** started his questions with a discussion of refinancing student loans and supposed “profits” in the federal student loan program. Courtney noted the auction rate for 10-year Treasuries the date of the hearing were 2.44 percent and pointed to “legacy loans” from “about 10 years ago” that are locked into higher rates. He did not mention these rates were thanks to the efforts of former Rep. George Miller (D-CA) and the late Sen. Ted Kennedy (D-MA), who were leading the education committees at the time of the change. Courtney also used his time to indicate his support for Public Service Loan Forgiveness. Copeland-Morgan acknowledged the panel of witnesses was divided on this issue, but she also thought problems identified by some of her fellow witnesses could be addressed via HEA reauthorization.

Representative Susan Bonamici (D-OR), the Vice Chair of the full Committee, closed out the questions at the hearing. She started by reviewing her efforts on bipartisan legislation, such as Guthrie’s *Empowering Students Through Enhanced Financial Counseling Act* and a bill on income-driven repayment plans, and then moved to questions on Work-Study. Copeland-Morgan noted she got involved in student aid because of Work-Study and said these jobs can often lead to careers. Bonamici asked about the allocation formula in Campus-Based Aid, specifically Work-Study. Copeland-Morgan responded, “Let’s end the base guarantee; we’ve been talking about that since I’ve been in this profession.” However, the long-time administrator also quickly added that the only way to accomplish this goal was to further invest in the programs.

CONCLUSION & ADDITIONAL INFORMATION

Chairman Guthrie and Ranking Member Davis gave closing remarks to wrap up the hearing. The Chairman and the Subcommittee’s top Democrat both said the hearing was an excellent first step in this Congress and noted there appeared to be several areas of agreement. Guthrie said the goal in reforming the student aid programs would remain to the programs simpler, but also acknowledged Copeland-Morgan’s point that Congress must be wary of going too far with simplification, particularly in terms of FAFSA information, because these efforts could make the process more complicated.

Additional information on the hearing, including an archived webcast, is [available online](#).