December 11, 2017

The Honorable Virginia Foxx
Chairwoman
Committee on Education and the Workforce
House of Representatives
2176 Rayburn House Office Building
Washington, DC 20515

The Honorable Bobby Scott
Ranking Member
Committee on Education and the Workforce
House of Representatives
2101 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Foxx and Ranking Member Scott:

On behalf of the members of the Coalition of Higher Education Assistance Organizations (COHEAO), I write to express our appreciation for the Committee on Education and the Workforce formally beginning efforts to reauthorize the Higher Education Act.

The Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act (H.R. 4508) was obviously written with numerous laudable goals in mind, including simplifying the student aid programs. However, it appears that Title IV simplification was valued above all other factors in crafting H.R. 4508, in some cases to the detriment of students. We are hopeful that as the process continues, you are able to incorporate the best aspects of existing student aid programs into the Title IV apparatus envisioned under the PROSPER Act.

Timing and Aid Availability

The PROSPER Act envisions its changes will take place in the 2019-20 academic year. However, the Perkins Loan Program expired on September 30, 2017, which means there is nothing for the population served by Perkins Loans for the upcoming spring and summer terms and the full 2018-19 academic year. Extending Perkins Loans until HEA reauthorization, particularly given PROSPER Act's acknowledgment of the needs of Perkins borrowers, is the responsible thing to do.

The PROSPER Act proposes to increase undergraduate loan limits by $2,000 per year to account for the loss of Perkins Loans. Increasing loan limits may seem like a logical response to the elimination of Perkins Loans in the name of simplification, but it falls short in multiple ways:

- Students will not be able to access increased loan limits until academic year 2019-20 at the earliest, meaing the population of students who depend on Perkins Loans for access will be unable to finance their education in 2018-19. This same population may also be forced to withdraw or not enroll during the spring and summer terms of this year. Students from low and moderate income should not be harmed in Academic Year 2018-19 because Congress has been unable to reauthorize HEA for the past four years.

- Simply increasing loan limits does not allow schools the flexibility to tailor these loans to each student's individual needs. As $2,000-$2,500 is the average Perkins Loan award, there are obviously students who need more than $2,000 in additional funding via Federal ONE Loans. Thousands of Perkins Loans are less than $2,000 but year, but thousands are also well above that figure—the average Perkins Loan award this year is $2,469 and some institutions have average awards above $4,000. This illustrates how Perkins Loans, which are limited at $5,500 per year, are flexible to meet the specific needs of a school's students. Increasing undergraduate loan limits in a monolithic program does not provide sufficient flexibility for schools to meet the needs of all their neediest students.

In short, expanding loan limits is an inadequate solution for the elimination of Perkins Loans. This is particularly true for students in the 2018-2019 academic year.

Favorable Terms for Low-Income Students and High-Need Occupations

Perkins Loans are far superior to the proposed Federal ONE Loans, which are modeled after Unsubsidized Stafford Loans. By delaying interest accrual until after graduation, Perkins Loans save student borrowers thousands of dollars compared to Federal ONE Loans. As a revolving fund, Perkins Loans can offer this benefit without an explicit government subsidy.

Perkins Loans are also targeted to students with economic need, as are Subsidized Stafford Loans, while Federal ONE Loans are available to any US student. Targeting aid to those with need—and, in the case of loan aid, offering that aid at the most favorable terms possible—has historically been the goal of the Higher Education Act.

The PROSPER Act also calls for the elimination of Public Service Loan Forgiveness (PSLF) due to concerns the program is too broad in its definition of "public service" and too costly for taxpayers. The existing cancellation benefits of the Perkins Loan Program may provide a model for offering some form of special benefits for public servants in high need professions.

Under Perkins Loans, cancellation benefits are only available to certain high need professions, such as teaching, nursing, law enforcement, and military service. However, these benefits are given on a pro-rated basis, which is far superior to the "all or nothing" approach of the Public Service Loan Forgiveness program.

Campus-Based Servicing

The PROSPER Act calls for a wind-down of the Perkins Loan Program. In addition to losing an important source of aid for students, borrowers will also lose the key benefit of campus-based servicing if the program is eliminated. As schools have been responsible for the administration of all aspects of Perkins Loans, including servicing and collections, the individuals on campus responsible for student loan repayment have become a valued source of information and assistance for all student loan programs.

Short of the extension of Perkins Loans, COHEAO strongly encourages the Committee to consider ways to incorporate campus-based servicing and alumni loan-based counseling into its final bill. As schools will be more accountable for loan repayment under the PROSPER Act, it is critical for the bill to allow schools to take a much more active role with loan servicing, including self-servicing loans for select populations of borrowers. Campus-based servicing should not be mandated in any way outside of the Perkins Loan context, but institutions that wish to take on more responsibility in terms of their students' repayment of loans should be allowed—and appropriately paid—to do so.

Campus Flex

COHEAO has developed the "Campus Flex" proposal for the Campus-Based Aid programs. In place of the PROSPER Act's "One Grant/One Loan/One Work Study" model, Campus Flex would create "One Grant/One Loan/One Campus-Based" and allow for the retention of Perkins Loans and Supplemental Educational Opportunity Grants (SEOG) while simplifying the Campus-Based programs. Campus Flex would simplify the Campus-Based programs by transforming them into a single allocation, but then allowing schools flexibility in distributing the funds in the best way to serve their students with need through Perkins Loans, Work-Study, and SEOG. Highlights of the Campus Flex Proposal are included below:

- *Authorize One Single Appropriation:* *Historically, FWS, FSEOG and the Perkins Loan program each have had their own line item. In the Campus Flex proposal, Congress would provide campuses with one appropriation for the three campus-based programs.*

- *Allow the Campus-Based Aid Programs to Better Serve Students as Emergency Aid.* *Campus Flex will expand aid administrators' discretion to provide campus-based funds to low and moderate-income students, particularly in cases of emergency aid. By reducing the regulatory burdens faced by aid administrators today when they exercise professional judgment, Campus Flex would allow more institutions to provide more students with emergency aid, which will improve retention and completion rates.*

- *Consolidate the Allocation Formulas:* *Currently, each campus based aid program has its own, somewhat different allocation formula. Campus Flex simplifies the programs by shifting to only one allocation formula. The controversial "base guaranty" in the federal formulas for allocating appropriated funds for the campus-based programs to participating campuses is phased out so that newer campuses or campuses that have grown substantially in size are no longer disadvantaged.*

- *Retain Characteristics, Purpose and Function for Each Program:* *The individual purpose and structure of each of the campus-based programs is maintained. However, the programs' authorizing sections in three different Parts of Title IV of the Higher Education Act would be consolidated into one Part.*

- *Allow Institutions of Higher Education to Determine the Allocation Between Programs:* *Campus aid administrators would determine the allocation of appropriated funds among the three campus-based programs according to their students' needs for that academic year. Campus Flex expands the transfer now permitted between programs by allowing the transfer of Perkins Loan interest collections to SEOG and FWS. This gives aid administrators the ability to modify their allocations of limited campus-based program funding in order to meet the varying, individual needs of their students.*

- *<u>Align the Perkins Loan Grace Period with Larger Federal Programs:</u> Perkins Loans would retain their current characteristics, except that the post-separation grace period would be reduced from nine months to six months to be consistent with other federal loans.*

- *<u>Consolidate the List of Approved Cancellations:</u> Currently, Perkins Loans are cancelled if a student enters certain public service careers. Over the years, the list of approved careers has grown significantly. COHEAO suggests updating the list to best reflect the original purpose of the Act. Campus Perkins Loan revolving funds would still be reimbursed for cancelled loans.*

Thank you for your leadership in addressing the reauthorization of the Higher Education Act. COHEAO looks forward to working with the Committee to improve this legislation throughout the process.

Sincerely,

Maria Livolsi
COHEAO President