N·A·S·F·A·A

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

★ FROM THE OFFICE OF THE PRESIDENT AND CEO ★

July 20, 2009

Chairman George Miller
Ranking Member John Kline
House Committee on Education & Labor
2181 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Miller & Ranking Member Kline:

On behalf of the 3,000 postsecondary institutions that the National Association of Student Financial Aid Administrators (NASFAA) represents, I commend and thank you for your continued efforts to increase college access for students. Today, I am writing you to express support for the Student Aid and Fiscal Responsibility Act of 2009 (H.R. 3221), while also pointing out a few areas of concern.

NASFAA supports your efforts to index future increases in the Federal Pell Grant Program. There can be no greater statement about our national commitment to higher education access than assuring increases in our flagship program that provides need-based grant aid to more than 5.4 million students each year.

We thank you for raising the issue of FAFSA simplification to new levels by proposing legislative action to make it happen. There is ample evidence that complexity both in the application process and in the financial aid programs themselves can deter target populations from ever applying for federal assistance. NASFAA supports your intent and your efforts in this regard.

My members are also pleased to see a proposal that would rescind federal student aid prohibitions against students who have been convicted of using drugs. NASFAA strongly believes that financial aid should solely focus on helping students who cannot afford college to meet their educational costs. Tying specific social agendas to the financial aid process is not only arbitrary; it also increases the complexity of the application process. Multiple studies have clearly demonstrated that the best anti-crime and anti-crime recidivism mechanism is education.

This legislation, as well as announcements from the Obama Administration, demonstrates that lawmakers recognize that schools serving predominantly high numbers of low-income students need additional support. We're very pleased that this bill would introduce unprecedented financial investment in these types of institutions, which ultimately means more support for the students who are least likely to obtain a postsecondary degree.

H.R. 3221 represents a large step forward in our efforts to bridge the widening college access gap in our country. However, we do have some concerns that we would like to raise to your attention.

Perkins Loan Changes

We appreciate the proposed infusion of funds into a campus-based program. However, we are troubled by a Perkins allocation formula that is based on any factors other than the

Opening Doors of Educational Opportunity

PHONE: 202.785.0453 FAX: 202.785.1487 WEB: www.nasfaa.org
1101 CONNECTICUT AVE NW, SUITE 1100, WASHINGTON, DC 20036-4303

relative need of an institution's students to the need of all students nationally. We believe that the allocation formula should not penalize institutions with missions that take a chance on high-risk students, who are most in danger of dropping out, or taking longer than usual to graduate, or transferring to other colleges before earning a credential.

It is unclear to us what type of borrower benefits the institution's matching contribution is meant to fund, and who decides that. It is also unclear what parameters the Department of Education is expected to use to determine the amount of the institutional match, and whether that has to be the same for each participating school. We're specifically concerned whether schools that serve predominantly high numbers of low income students would have the financial means necessary to make any contribution, a circumstance which could further skew the distribution of these funds away from the schools this expanded program was intended to benefit.

If Congress does move forward with the Perkins segment of this bill as drafted, we would encourage a different name designation for these new loans to prevent confusion. We already have a previous loan under part E called a "Direct" loan, and we already have a full program of federal loans called "Direct."

Simplification & Asset Caps

We applaud your intention to attain real simplification by amending the need analysis formula to eliminate certain data elements that do not appear on a tax return. However, we do not see how families will be able to apply for student financial aid using just information from the tax return if asset data will have to be captured to determine whether a student qualifies for any need-based aid under an asset cap.

If Congress intends to impose asset cap requirements, we urge you to consider raising those asset caps to at least $250,000, to ensure that as many moderate-income families as possible are able to take full advantage of need-based aid. Currently, a family with low income could still be eligible for a Pell Grant with well over $200,000 in assets, and for parents who are closer to retirement age, significantly more than that.

In addition, we seek specific authority for financial aid administrators to exercise professional judgment on students and parents in unique circumstances who clearly should be held harmless by these provisions. The current proposed language in Sec. 122 (a) that states, "Notwithstanding any other provision of this title" could be construed as prohibiting financial aid administrators from exercising their professional judgment in situations where it would clearly be warranted. For example, some families may have assets that exceed the Congressionally mandated threshold but have an overriding need for it elsewhere, such as with responsibilities to care for a severely disabled member of the household or other medical expenses. At times, families may receive one-time insurance pay-outs for a specific purpose that would temporarily boost their assets, but would not be indicative of their financial ability to pay for college. For other families, a catastrophic event such as flood or fire could deplete assets after the financial aid application has been filed. In such instances, aid administrators should have the clear ability to exercise professional judgment over asset values for the purpose of applying an asset cap.

Subsidized Loans for Graduate Students

There is little to no evidence that loans – whether subsidized or unsubsidized – increase college access. Although we have promoted eliminating the interest subsidy in favor of stronger repayment benefits, we believe it should be done equitably without discriminating against graduate students. We urge you not to pass legislation that would withhold loan benefits from poor students simply based on whether they are graduates or undergraduates.

Timeframe for Eliminating FFELP
Our members continue to be concerned about the proposed timeframe to move all schools into the Direct Loan program. Based on when these proposals could become law, schools will have much less than a year's time to implement a large program change.

NASFAA recently conducted a survey of more than 160 member institutions identified by the Department of Education as having recently moved into the Direct Loan program. The majority of survey respondents – 80 percent – said they were able to convert within four months. However, 14 percent said it took longer than seven months to fully convert from FFEL into Direct Lending. The greatest difficulty in converting stemmed from issues related to their financial aid management software developers.

While the majority of schools will likely be able to convert in a relatively short period of time, we urge Congress to give ED some form of emergency authority to establish a safety net for schools unable to meet the July 1, 2010 mandate.

FFELP Borrower Support Benefits
We appreciate your efforts to ensure the continuation of borrower support services such as financial literacy and default prevention by creating incentives for loan servicers – including state nonprofits – to prevent loan defaults. During the next few years, we will be moving from a two-year to a three-year cohort default rate calculation. That transition – combined with the economic downturn – has created anxiety for NASFAA members who are held accountable for keeping defaults low among their student borrowers.

While we appreciate your efforts to address school concerns about losing FFEL borrower support services, we are concerned that other non-profits – like student loan guarantors that have been involved in default prevention for years – seem to have been excluded. We urge you to ensure that all entities that have the demonstrated capability to perform these services are able to compete for these contracts.

As always, we remain committed to increasing higher education access. NASFAA and its members stand ready to provide technical and practical assistance in the application of these proposed laws as needed. Thank you for all you do for students.

Sincerely,

Joan H. Crissman

Joan H. Crissman
NASFAA Interim President & CEO