HEC 50

The Higher Education Committee of 50

HIGHER EDUCATION COMMITTEE OF 50 RECOMMENDATIONS

AFFORDABILITY

INTRODUCTION

In late 2017, the National Association of Student Financial Aid Administrators (NASFAA) was awarded a grant to convene a group of forward-thinking campus leaders tasked with developing policy solutions to help students surmount the obstacles that prevent them from enrolling in, paying for, and graduating from college. NASFAA used the grant funding to facilitate the Higher Education Committee of 50, a group composed of college presidents, enrollment managers, admissions staff, financial aid and bursar leaders, members of governing boards, students, and other leaders from all postsecondary institution sectors. Combined, they hold memberships in more than 140 higher education-related professional associations, with many serving in multiple leadership roles.

The Higher Education Committee of 50 divided their work into four subgroups reflecting the four policy areas. Each subgroup reviewed relevant literature, heard from experts, and engaged in hours of discussion and debate before developing their respective recommendations. NASFAA released draft recommendations for public comment, and the subgroup members analyzed and reviewed all feedback. They incorporated much of this feedback into the final recommendations.

The Higher Education Committee of 50 executive summary offers 36 recommendations for consideration by Congress in the hope that they will foster discussion and guide future policy decisions for the reauthorization of the Higher Education Act of 1965, as amended. This brief presents the findings of the Affordability Subgroup.

The full report, including additional details, a reference list, and a full list of Higher Education Committee of 50 members, is available at https://www.highereducationcommitteeof50.org.

AFFORDABILITY RECOMMENDATIONS

For the purposes of these recommendations, the Affordability Subgroup defined postsecondary education affordability as the alignment between the student's desired educational credential, total net costs, funding mechanisms, and long-term improvement in that individual's quality of life attributable to their postsecondary education.

This subgroup acknowledged that postsecondary education has both individual and societal benefits and, as such, responsibility for the cost of higher education should be shared by the student and/or their parents; federal, state, and local governments; institutions of higher education; and private entities, including businesses. In addition to the source of funding, the funding mechanism itself matters. Affordability must take into account the merits and drawbacks of different types of education funding, like grants, loans, work, and savings, as well as other new and innovative funding models.

Recommendations have been grouped by topic and do not appear as listed in the committee's full report. Cross-references are made in parentheses after each recommendation.

Improving Financial Literacy and Loan Counseling

- Require the U.S. Department of Education to enhance existing financial literacy tools, require consumer testing on all new or improved tools, and make them available to all students to ensure accurate, transparent, and complete information upon which students and families can make informed financing decisions. (Full Report Recommendation #1)
- Require the U.S. Department of Education to develop and add a dynamic, user-tested truth- in-lending calculator and annual debt letter to entrance counseling/StudentLoans.gov to give borrowers a full idea of how student loan debt will affect them over the life of the loan. The Department should make this available at the time of loan disbursement but should not make it a requirement to students getting their loans. Private lenders should be required to report to the National Student Loan Data System (NSLDS) so borrowers can access their full student loan history in one place. (Full Report Recommendation #2)

Simplifying the Aid Application and Need Analysis Process

- Permit students to file a FAFSA that would allow financial aid consideration for multiple years (e.g., a one-time FAFSA), simplifying the application process and allowing for longer-term planning for the duration of a student's college career instead of year-by-year. (Full Report Recommendation #3)
- Exclude 529 savings plans from the Federal Methodology need analysis calculation to incentivize saving for college and reduce reliance on borrowing for college. (Full Report Recommendation #7)

Strengthening Pell Grants

- Allow Federal Pell Grant-eligible students to use up to two semesters (100%) of Pell Grant funds while completing dual-enrollment programs, while in high school, or while completing remedial courses, without such usage counting toward their Pell Grant Lifetime Eligibility Usage (LEU) limit. (Full Report Recommendation #4)
- Change the funding source of the Federal Pell Grant to 100% mandatory funds, making it a true entitlement program, to fully honor the spirit of the Pell grant and to reverse the downward trend in the grant's purchasing power. (Full Report Recommendation #6)

Federal Student Loan and Loan Repayment Improvements

- Decouple eligibility for the federal student loan interest subsidy from cost of attendance and base it solely on the expected family contribution so that it goes to the neediest students, regardless of their institution's costs or the amount of aid the student is eligible to receive. (Full Report Recommendation #16)
- Discontinue origination fees, which are a relic of the now defunct bank-based student lending system and which today only represent an unfair tax on student loan borrowers. (Full Report Recommendation #8)
- Reduce interest rates and set a flat add-on amount to the 10-year Treasury note, not to exceed 2% across the federal student loan programs, to make student loans both more affordable and easier to understand. (Full Report Recommendation #9)
- Allow federal student loan refinancing through a federal government program should the variable annual interest rates decline. This will keep high performing loans in the federal loan portfolio instead of driving them to refinancing in the private market, balancing risk to taxpayers. (Full Report Recommendation #5)
- Establish one standard 10-year repayment plan, one extended repayment plan, and one income-based repayment (IBR) plan. The IBR plan would allow borrowers to pay a monthly amount based on their income and family size. Cap the total amount to be repaid under IBR at the total of the principal and interest the borrower would have paid under a standard 10-year plan, as calculated when they entered repayment. Under IBR, interest would continue to accrue over the life of the loan, and amounts above the standard 10-year repayment cap would be forgiven and exempt from taxation. (Full Report Recommendation #13)
- Maintain the Public Service Loan Forgiveness (PSLF) program. Cap amounts forgiven under the PSLF program at 100% of remaining loan balance up to $57,500, and half of any remaining balance up to $138,500. This will ensure that borrowers entering low-paying public service fields can continue to do so without being held back by student loan debt, while addressing concerns about the potential costs of the program. (Full Report Recommendation #15)

Making Textbooks More Affordable

- Use Fund for the Improvement of Postsecondary Education (FIPSE) grant funds to move toward the goal of affordable textbooks and other course materials by 2030, to keep overall college costs in check. (Full Report Recommendation #10)

Resolving Tax Issues Relating to Financial Aid

- Eliminate higher education tax credits and put those funds into the Federal Pell Grant program, expanding the number of families eligible to receive the Pell grant and providing them access to financial assistance when they incur college expenses, instead of retroactively when they file tax returns. (Full Report Recommendation #11)
- Eliminate the taxability of scholarships and grants. (Full Report Recommendation #12)

Creating a First Dollar Free College Program

- Establish a federal and state partnership to incentivize tuition-free community college as a first-dollar program, with an eligibility cap based on income. (Full Report Recommendation #14)

CONCLUSION

In a single year, the Higher Education Committee of 50 has accomplished work of extensive breadth and depth, addressing a wide range of topics while drilling down on practice and policy to develop thoughtful, innovative recommendations. Nonetheless, the Committee recognizes and deeply believes this work is just a starting point for future HEA reauthorization discussions and understands that many of the recommendations will require future work and refinement. The 116th Congress provides a fresh new policy window to explore HEA reauthorization, and Committee members will ensure their recommendations reach key stakeholders, inform related discussions, and lay the groundwork for further exploration.