

SUPPORTING STUDENTS OF COLOR IN HIGHER EDUCATION

New America's Recommendations

FEBRUARY 2019

February 15, 2019

Senator Doug Jones
326 Russell Senate Office Building
Washington, DC 20510

Senator Elizabeth Warren
317 Hart Senate Office Building
Washington, DC 20510

Senator Kamala Harris
112 Hart Senate Office Building
Washington, DC 20510

Senator Catherine Cortez Masto
204 Russell Senate Office Building
Washington, DC 20510

Dear Senators Jones, Warren, Harris, and Cortez Masto:

Thank you for the opportunity to share our insights about protecting and empowering students of color to ensure they have equitable access to high-quality, affordable educational opportunities after high school. Higher education is often touted as a great equalizer. But the unfortunate reality is that our current system, and the federal investment that supports it, can exacerbate the racial wealth gap. It is unacceptable that white young Americans are more than twice as likely to have a bachelor's degree than Black, Latinos, Asian Pacific Islanders, and American Indians, and that Black students are disproportionately enrolled in for-profit colleges where outcomes tend to be poorer, particularly as compared with white students.¹ It is unacceptable that 70 percent of Black students are projected to default on their federal student loans.² It is unacceptable that the federal government is making predatory Parent PLUS loans to low-income Black parents who have no means to pay them back.³

Students of color do not enter higher education on an equal playing field, nor do they leave higher education with a degree that insulates them from labor market discrimination. While a high-quality credential can help students of color navigate future economic storms, Congress must do more to better target federal student aid, reduce reliance on federal higher-education debt, and safeguard students of color from institutions that have a poor track record of serving them well. Only through these changes will higher education attainment begin to chip away at the enormous racial wealth gap.

¹ U.S. Department of Education, National Center for Education Statistics, "Table 104.20," https://nces.ed.gov/programs/digest/d17/tables/dt17_104.20.asp?current=yes; and U.S. Department of Education, National Center for Education Statistics, "Table 306.40," https://nces.ed.gov/programs/digest/d17/tables/dt17_306.40.asp?current=yes (14 percent of Black students are enrolled in for-profit institutions, compared with 5 percent of white students).

² Judith Scott-Clayton, *The Looming Student Loan Default Crisis is Worse Than We Thought*. (Washington, DC: Brookings Institution, January 10, 2018).

³ Rachel Fishman, *The Wealth Gap PLUS Debt: How Federal Loans Exacerbate Inequality for Black Families*. Washington, DC: New America, May 15, 2018), <https://www.newamerica.org/education-policy/reports/wealth-gap-plus-debt>.

The proposals that follow address a host of critical policies within higher education with a focus on the needs of students of color. They reiterate and build off of the substantial body of work that New America's staff have produced over the last several years, including our previous Higher Education Act reauthorization recommendations provided to Senators Alexander and Murray in 2018.⁴ Links to our reports, briefs, and other analyses are provided.

In addition to these policy proposals, **we encourage you to request more data from the Department of Education.** The publicly available data we do have about the outcomes of students of color, especially when it comes to federal student aid, are woefully inadequate. The lack of data makes it difficult to diagnose problems and develop targeted and effective policy solutions. For example, according to survey data from the Education Department, we know that one third of Black Parent PLUS borrowers have zero expected family contributions.⁵ This means the federal government has determined the family does not have enough income to be expected to contribute even one dollar to their child's education—and yet they are given parent loans (above and beyond what their child can borrow in student loans). The parent may not ever be able to repay these loans, and may even default on them, which could affect the rest of their lives in myriad ways. And yet we know little about the debt and repayment outcomes of Parent PLUS borrowers, particularly how Parent PLUS loans are packaged by institutions and how default and repayment rates for Parent PLUS loans vary by college. And while survey data make clear that repayment outcomes are much worse for Black student borrowers, the Education Department doesn't collect or publish the data needed to show which institutions produce the worst outcomes for such students, or how servicing issues and repayment structures have disproportionate implications for Black borrowers and borrowers of color.

Thank you again for your consideration of these proposals. If you have any questions or would like to discuss any of our recommendations further, we can be reached at the contact information listed below. We look forward to working with you on these important issues.

Sincerely,

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⁴ New America's Higher Education Act Reauthorization Recommendations to Senators Alexander and Murray, February 23, 2018, http://na-production.s3.amazonaws.com/documents/2018_New_America_Recommendations_for_the_Reauthorization_of_the_Higher_Education_Act.pdf.

⁵ Rachel Fishman, *The Wealth Gap PLUS Debt: How Federal Loans Exacerbate Inequality for Black Families*. (Washington, DC: New America, May 15, 2018), <https://www.newamerica.org/education-policy/reports/wealth-gap-plus-debt>.

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Radical Proposals to Improve College Access to Selective Institutions

An understated strategy in decreasing risk for borrowers of color and closing racial wealth gaps is securing access to highly-resourced, highly-selective colleges and universities. Today, Black and Hispanic students are less represented in the nation's best schools than they were 35 years ago.⁶ Although most students attend open-access or less-selective higher-education institutions such as community colleges and regional public and private institutions, many low-income students, especially students of color, are shut out from highly-selective colleges and universities. When low-income students of color are able to enroll in selective higher-education institutions, they fare as well as their wealthier peers and often receive more resources and monetary support from the institution.⁷ New America recommends a concerted federal effort to ensure that qualified students of color have access to these highly-resourced and selective institutions:

End federal financial aid for schools that use legacy admissions.

Historically, the college admissions landscape at highly-selective institutions has been sustained by policies that favor the white and wealthy, propping up a status quo that blocks access to low-income students of color. Chief among those policies is the practice of giving preference to legacy students. While race-conscious admissions policies are the constant target of undeserved scrutiny, legacy preference has gone mostly unchallenged legally, to great effect.⁸ Low-income students of color who are academically qualified should have the opportunity to attend a prestigious college or university without going through a cumbersome and opaque admissions and financial aid process. For this reason, Congress should withhold Title IV aid to those highly-resourced and highly-selective institutions that engage in legacy admissions and other preferential admissions treatments that overwhelmingly favor wealthy and white families, including early decision programs.⁹

Require lottery-based admissions among highly-selective colleges and universities that want access to federal research dollars.

Building on ending legacy admissions, this policy would focus on requiring the same highly-resourced and selective institutions to participate in a lottery-based admissions system where anyone who has a minimum SAT or ACT score and/or GPA can enter the lottery for free. Setting the minimum bar for test scores would be critical to ensuring access—it could be done, for example, by using an average of the 25th percentile of those accepted over the three previous years. This would do away with admissions preferences that overwhelmingly favor white and wealthy applicants, including for athletes and legacies. It would also make the admissions process more transparent to students and families. If institutions don't participate in the lottery, they would lose all eligibility not only to Title IV aid but also to federal research dollars. This is, no doubt, a radical proposal, but if the

⁶ Jeremy Ashkenas, Haeyoun Park, and Adam Pearce, "Even with Affirmative Action, Blacks and Hispanics Are More Underrepresented at Top Colleges Than 35 Years Ago," *New York Times*, August 24, 2017, <https://www.nytimes.com/interactive/2017/08/24/us/affirmative-action.html>.

⁷ Stephen Burd, ed., *Moving on Up? What a Groundbreaking Study Tells Us About Access, Success, and Mobility in Higher Education* (Washington, DC: New America, October 2017), <https://www.newamerica.org/education-policy/policy-papers/moving-on-up-series>.

⁸ Richard D. Kahlenberg, "A New Call to End Legacy Admissions," *The Atlantic*, February 14, 2018, <https://www.theatlantic.com/education/archive/2018/02/when-affirmative-action-benefits-the-wealthy/553313>.

⁹ Harold Levy and Peg Tyre, "How to Level the College Playing Field," *New York Times*, April 7, 2018, <https://www.nytimes.com/2018/04/07/opinion/sunday/harold-levy-college.html>.

federal government is a primary payer for many of these institutions, it has a stake in ensuring elite colleges and universities increase social mobility, rather than reify existing inequities.

Related New America Work:

Rachel Fishman, *The Wealth Gap PLUS Debt: How Federal Loans Exacerbate Inequality for Black Families*. (Washington, DC: New America, May 15, 2018), <https://www.newamerica.org/education-policy/reports/wealth-gap-plus-debt>.

Stephen Burd, ed., *Moving on Up? What a Groundbreaking Study Tells Us About Access, Success, and Mobility in Higher Education* (Washington, DC: New America, October 2017), <https://www.newamerica.org/education-policy/policy-papers/moving-on-up-series>.

Simplify the Financial Aid Process

Low-income students often rely on federal financial aid to access higher education. Unfortunately, our federal financial aid system requires our lowest-income and most vulnerable students to jump through far too many hoops to access aid. Just over one in 10 Latino and Asian American undergraduates from the bottom income quartile failed to even apply for financial aid, leaving critical resources on the table.¹⁰

In addition, some of our current federal aid policy prohibits students from accessing aid if they've had a prior drug conviction while receiving aid. Incarceration rates for the Black community are five to seven times higher than the white community, and account for almost half of all incarcerated individuals with a drug-related offense and a sentence of a year or more.¹¹ Here in Washington, D.C. it is estimated that three out of four young Black men can expect to serve some time in prison, and the data are even worse for those living in the poorest D.C. neighborhoods.¹² The Education Department has found that over 1,000 students every year lose access to federal aid because of the drug conviction restrictions, and even more may be deterred from applying for aid in the first place.¹³ This policy blocks access to higher education, especially for many Black prospective students.

New America recommends easing the path to financial aid and ending eligibility requirements that prevent students of color from accessing aid:

Expedite the FAFSA process for the neediest students.

Lawmakers should work to make it easier for low-income students to access federal aid without completing unnecessary and burdensome paperwork that does little to increase the integrity of the federal aid programs but sets up barriers to access and retention in higher education. Specifically:

¹⁰ New America analysis of U.S. Department of Education's National Postsecondary Student Aid Study 2016.

¹¹ E. Ann Carson and William J. Sabol, *Prisoners in 2011*. (Washington, DC: U.S. Department of Justice: Bureau of Justice Statistics, December 2012), <http://www.bjs.gov/content/pub/pdf/p11.pdf>.

¹² Donald Braman, *Doing Time on the Outside: Incarceration and Family Life in Urban America* (Ann Arbor: University of Michigan Press, 2004), 3, citing D.C. Department of Corrections data for 2000.

¹³ Andrew Kreighbaum, "New push to drop drug offenses as barrier to student aid," *Inside Higher Ed* (March 7, 2018), <https://www.insidehighered.com/news/2018/03/07/higher-ed-groups-want-end-student-aid-restrictions-applicants-drug-convictions>.

- Congress should fast-track Pell Grant eligibility to students who receive means-tested federal benefits such as Temporary Assistance for Needy Families or the Supplemental Nutrition Assistance Program without requiring them to complete the FAFSA if they or their parents have already demonstrated that they qualify for those benefits.
- Lawmakers can also raise the income threshold for an automatic-zero estimated expected family contribution (EFC) to \$34,000 to simplify the aid process for low- and moderate-income students.
- Congress should also consider implementing a one-time “FAFSA for all students,” or significantly reduce the amount of information collected on renewal FAFSA forms.

Eliminate drug conviction limitations and the drug policy notification.

Current law states that any student who receives a conviction for a drug-related offense while enrolled in higher education and receiving federal financial aid may not continue to receive such aid. Logically, the law also requires that students be notified of this policy upon their initial enrollment and following any relevant conviction. Congress should eliminate both of these requirements. Aside from creating additional burden to assess student eligibility, these rules target low-income and minority students who are more likely to receive a conviction following a charge and create a class of crimes—drug-related offenses—that places undue importance on such matters. They are unfair, irrational, and ineffective at preventing problems in the federal student aid program. Moreover, particularly given the national opioid epidemic, such policies may do more harm than good in an affected student’s path to recovery.

Related New America Work:

New America, along with Third Way, the Center for American Progress, the National College Access Network, Young Invincibles, Excelencia in Education, Higher Learning Advocates, the Institute for Higher Education Policy, A Higher Education Menu of Ideas for New Members (Washington, DC: Third Way, December 2018), <https://thirdway.imgix.net/downloads/this-is-a-formatting-test-document/A-Higher-Ed-Menu-of-Policy-Ideas-FINAL.pdf>.

New America’s Higher Education Act Reauthorization Recommendations to Senators Alexander and Murray, February 23, 2018, http://na-production.s3.amazonaws.com/documents/2018_New_America_Recommendations_for_the_Reauthorization_of_the_Higher_Education_Act.pdf.

Renew the Federal-State Partnership

Borrowing for higher education is a symptom of a price problem, and one of *the* drivers of the large increase in college price is due to states disinvesting from their public systems of higher education. This has serious repercussions for students of color, an overwhelming majority of whom attend public two- and four-year institutions.¹⁴ For there to be meaningful state participation in higher

¹⁴ Approximately 75% of White students, 69% of Black students, 77% of Latino students, 79% of Asian students, and 85% of American Indian students are enrolled in public two- and four-year institutions. New America analysis of U.S. Department of Education’s National Postsecondary Student Aid Study 2016.

education today, we need to change the design of the Higher Education Act (HEA) to better incorporate the role of states.

Promote coordination between states and the federal government through smart uses of federal dollars.

Toward that end, federal funding should be provided to states to, at a minimum, ensure state coordination with the federal government. Such funding could be used to encourage better accountability systems within states, increase state financial aid offerings, and even require a maintenance of effort for state investment in higher education. Reauthorizing and modernizing programs like the Leveraging Educational Assistance Partnership and Grants for Access and Persistence are a logical first step toward that goal.

Create a meaningful state plan requirement.

Federal lawmakers should also use HEA reauthorization to include a meaningful state plan requirement. In most of the major federal statutes governing the American education system (including the Elementary and Secondary Education Act (ESEA) and the Workforce Investment Act (WIA)), there is a requirement for a state plan—an articulation of how the state will use federal funding to improve an aspect of the system. If used effectively, such plans have the potential to bring greater coordination to the system of education as a whole. To advance meaningful coordination within the education system, the federal government should implement a requirement for a meaningful state plan within the HEA and give states the option to submit a consolidated, early education through workforce, plan that would satisfy requirements across the various federal education statutes.

Renew the federal-state partnership.

A more robust federal-state partnership could also be used to improve the student aid system as a whole—currently, a combination of vouchers, loans, and tax credits, all of which follow the student. Not only has this system led to more expenses for students—other consequences have emerged. Many colleges that benefit from this federal system of vouchers and tax credits do not serve students well, with low graduation rates and wide variation across colleges in how graduates fare in the labor market. Problems with the current voucher-based system are exacerbated by the lack of any meaningful quality control and accountability. Congress could alter the allocation of federal higher education funding to include an emphasis on equity and support institutions that serve students of color well, and to encourage states to invest in public higher education.

Related New America work:

New America’s Higher Education Act Reauthorization Recommendations to Senators Alexander and Murray, February 23, 2018, http://na-production.s3.amazonaws.com/documents/2018_New_America_Recommendations_for_the_Reauthorization_of_the_Higher_Education_Act.pdf.

Jared Cameron Bass, “So...What’s the Plan? The Missing Plan for States in the Higher Education Act,” February 7, 2018, *EdCentral*, <https://www.newamerica.org/education-policy/edcentral/missing-state-plans-in-higher-education-act>.

New America, *Starting from Scratch: A New Federal and State Partnership in Higher Education* (Washington, DC: New America, February, 2016), <https://www.newamerica.org/education-policy/policy-papers/starting-from-scratch>.

Expand Federal Grant Aid

The federal government's role in higher education is important, and it already provides grants to help students afford to enroll in college, but they do not go far enough. According to Education Department data, in 2015-16 approximately 40 percent of undergraduates received Pell. When taking a closer look at students of color, 59 percent of Black, 48 percent of Latino, and 51 percent of American Indians received Pell.¹⁵ For years now, the Pell Grant has neither kept pace with the rise in tuition nor inflation. The result is less purchasing power of the grant and increased reliance on loans.

New America believes in order to provide true access for low-wealth families of color, there must be a targeted investment that is not debt-financed and will completely bring down the price of, at a minimum, public two- and four-year universities while holding institutions accountable for that investment:

Budget Pell Grants as mandatory funds.

Despite being the bedrock of federal financial aid, only 40 percent of the Pell Grant program is provided through the "mandatory" or "entitlement" side of the federal budget, while 60 percent of the funding rests on year-to-year budgeting decisions made through the always-uncertain appropriations process. As a result, when budget shortfalls occur, Congress has historically responded not by allocating adequate funding, but by reducing students' eligibility, including capping their lifetime access to Pell Grants and removing year-round access to the grants (a policy change that was reversed recently when budgets weren't as tight, evidence that the change was made to save money and not on the merits of the policy). Congress should move the entire program to the mandatory side of the budget to create certainty about the program's future and stop the death-by-a-thousand-paper cuts budgeting that has undermined the Pell Grant program.

Increase the maximum Pell Grant award.

The Pell Grant program provides well-targeted financial assistance to low-income undergraduate students. However, College Board estimates show that increases in the maximum award have not kept pace with increases in tuition, particularly at four-year colleges.¹⁶ Just 15 years ago, the maximum Pell Grant amount covered 98 percent of the average tuition and fees at public four-year institutions, but rising tuitions and diminishing state investments in higher education mean that last year, it covered just 59 percent. At private four-year colleges, the grant covered an even smaller portion of the cost (from 22 percent of average tuition and fees in 2003, to 17 percent a decade and a half later). Congress should help restore the purchasing power of the Pell Grant program to its past levels by increasing its total value, helping low-income students of color to take on less debt and making college more affordable.

¹⁵ New America analysis of U.S. Department of Education's National Postsecondary Student Aid Study 2016.

¹⁶ College Board, "Trends in Higher Education: Maximum Pell Grant and Published Prices at Four-Year Institutions over Time," <https://trends.collegeboard.org/student-aid/figures-tables/maximum-pell-grant-and-published-prices-four-year-institutions-over-time>.

Index the maximum Pell Grant to inflation.

In 2010, Congress increased the maximum Pell Grant by the percentage change in the Consumer Price Index each year, but it let that annual increase expire after the 2017-18 award year. Congress should reinstate—permanently—the annual inflationary increase to the maximum Pell Grant. The size of the Pell Grant award is already well below the average cost of college, and getting worse as college tuition skyrockets. While small increases aligned with inflation may seem marginal, for low-income students of color, every dollar counts.

Redirect regressive tax-credit dollars to promote “Race Conscious” or “Targeted Universalism” financial aid policies.

It is clear that current higher education policies exacerbate the racial wealth gap. Because the risk of debt is much higher for students of color, especially Black students, every attempt must be made to reduce the price of a college education on the front end either through direct grant aid (for example, by providing a double Pell Grant for students of color with zero EFC) and/or through aid to institutions that predominantly serve those populations. Though the details of such a program could be conceived of in many ways, it would have to be a large investment of money specifically to help students of color, primarily Black students and other groups such as American Indians, who are often masked in outcomes data due to their small population. This money could come from the tens of billions of dollars that are allocated for higher education benefits in our tax code that overwhelmingly benefit wealthy families. In 2017 alone, Congress permitted more than \$33 billion in foregone revenue through higher education-related tax expenditures like the student loan interest deduction, tuition savings accounts, and the American Opportunity Tax Credit—tax benefits that are eligible even to families earning six-figure incomes.¹⁷

This aid could be need-based, but given how wide the racial wealth gap is, an argument could be made to make it non-need-based. The only stipulation on this aid would be that it not be available to the for-profit sector, which has had poor outcomes with students of color (more on for-profit accountability in “Hold For-Profit Institutions Accountable” section). And the answer should not be to leave price reduction and aid distribution to states alone. In the past, as seen with the state implementation of the G.I. Bill, biases led to unequal distribution of benefits to veterans of color.¹⁸ For this reason, there would have to be a strong federal and state partnership in place to distribute that aid and make debt-free college a reality for students of color.

Rework the federal SEOG and work-study funding formulas to support more students of color.

Federal Work-Study and Supplemental Educational Opportunity Grant (SEOG) dollars are currently distributed through an archaic and inflexible formula that directs a large share of funds to a relatively small number of private colleges that do not serve many low-income students. For instance, private schools receive about 45 percent of Federal Work-Study funds, despite enrolling only about a quarter of undergraduates. Meanwhile, only 11 percent of the program’s funds go to community colleges, which enroll nearly 40 percent of all undergraduates. Work-Study dollars also

¹⁷ White House Office of Management and Budget, FY 2019 Budget Request, “Tax Expenditures,” February 2018, https://www.whitehouse.gov/wp-content/uploads/2018/02/ap_13_expenditures-fy2019.pdf.

¹⁸ David Callahan, “How the GI Bill Left Out African Americans,” Policyshop, November 11, 2013, <https://www.demos.org/blog/11/11/13/how-gi-bill-left-out-african-americans>.

flow disproportionately to schools in the Northeast, despite the fact that the largest concentrations of low-income students attend public institutions in the South and Southwest.

These funding formulas can and should be fixed, by: (1) phasing out the “campus-base guarantee” over a five-year period and replacing it with a guarantee of 10 percent of the total funding annually; and (2) replacing the fair-share formula with one driven by a combination of Pell Grant students’ enrollment and Pell graduation rates. As we shared in a letter about Federal Work-Study to the Senate HELP Committee along with a dozen other organizations, the formula has become increasingly unbalanced over the years; and Congress can and should correct that imbalance.¹⁹ These dollars need to be redistributed, not cut or eliminated, in order to better meet the needs of low-income students across the country.

Allow students to use SEOG for emergency aid.

As a form of campus-based aid, SEOG allows a small percentage of participating campuses to make need-based grants to students. Congress should reform this program to ensure the program is targeted to institutions serving low- and moderate-income students well, by giving institutions the flexibility to use SEOG as a pool of money to provide emergency funding for students. This promising intervention is rooted in evidence and provides an effective outlet for investing in students’ futures.²⁰

Give incarcerated individuals a second chance.

Congress should reverse a longstanding ban on providing Pell Grants to incarcerated individuals, and instead invest in critical education within prisons that has been proven to lower recidivism rates by permitting those students access to federal Pell Grants.²¹ Importantly, Congress should do so while protecting taxpayer dollars by ensuring prisoners remain ineligible for federal student loans and limiting Pell access to only programs and institutions that will offer a demonstrated high-quality education. We have been heartened to see support for reversing the ban from both Secretary DeVos and Senator Alexander.²² As we wrote to Congress in a recent letter submitted alongside other education and civil rights organizations, “Increasing access to Pell funds...must also create a meaningful opportunity to attain a high quality education and so certain guardrails are critical to ensure the responsible use of federal funds and the fair treatment of students.”²³ We urge you to consider those guardrails carefully and adopt them as part of the expansion of Pell Grants to incarcerated individuals.

¹⁹ Achieving the Dream, Business Roundtable, Council for Adult and Experiential Learning, Center for Law and Social Policy, Committee for Economic Development, Jobs for the Future, National Association of System Heads, National Skills Coalition, New America, Skills for America’s Future, State Higher Education Executive Officers’ Association, U.S. Chamber of Commerce, and Young Invincibles letter to Senators Alexander and Murray about recommendations to changes to federal work-study, April 26, 2017, https://na-production.s3.amazonaws.com/documents/FWS_Letter_to_Senate_HELP_FINAL_TJm79TC.pdf.

²⁰ Christian Geckeler, *Helping Community College Students Cope with Financial Emergencies: Lessons from the Dreamkeepers and Angel Fund Emergency Financial Aid Programs* (New York, NY: MDRC, May 2008), <https://www.mdrc.org/publication/helping-community-college-students-cope-financial-emergencies>.

²¹ Lois M. Davis, Robert Bozick, Jennifer L. Steele, Jessica Saunders, and Jeremy N. V. Miles, *Evaluating the Effectiveness of Programs that Provide Education to Incarcerated Adults: A Meta Analysis of Programs that Provide Education to Incarcerated Adults* (Santa Monica, CA: Rand Corporation, 2013), https://www.rand.org/pubs/research_reports/RR266.html.

²² Erica L. Green, “Senate Leaders Reconsider Ban on Pell Grants for Prisoners,” February 15, 2018, *New York Times*, <https://www.nytimes.com/2018/02/15/us/politics/pell-grants-prisoners.html>.

²³ Comments from a coalition of civil rights and education organizations on critical guardrails for Second Chance Pell were sent to House and Senate education committees on February 8, 2019, <https://www.newamerica.org/education-policy/public-comments/our-public-comments-education-policy/letter-congress-second-chance-pell-principles>.

Provide a Pell bonus for full-time students who go above and beyond.

One proposal that has support from both parties would provide a Pell Grant bonus for full-time students who take 15 credits instead of 12. Students who take 12 credits each semester will graduate with a bachelor's degree in five years—not four. While those low-income students who are juggling school with family and work obligations should be able to receive a full Pell Grant for taking 12 credits, research shows that taking 15 credits greatly increases students' rate of credit accumulation, retention, and completion.²⁴ And getting through college faster means fewer years of tuition payments for the student. Congress should provide a sizeable bonus to low-income students for taking on the added challenge of enrolling in 15 credits each semester, without further disadvantaging the millions of Pell Grant students who can't.

Provide a Pell bonus for four-year schools that serve a substantial share of Pell recipients.

Among public and private four-year colleges, the schools with the fewest resources tend to serve the largest share of low-income students. Financially strapped, these colleges have a hard time supporting those students. Our analysis of school-by-school Pell Grant and net price data found that at private colleges with endowments of less than \$100 million, Pell Grant recipients made up an average of 36 percent of the student body, compared to only 16 percent at colleges with endowments of \$1 billion or more. At the same time, the wealthiest schools could afford to charge the lowest-income students at their institutions a net price under \$10,000, while the poorest schools charged these students a net price of over \$17,000.²⁵

Congress should double the amount of Pell Grant funding it provides to colleges that enroll a substantial share of Pell Grant recipients (more than 25 percent) and graduate at least half of their students schoolwide – with the aim of having the schools use this money to boost their institutional aid budgets and therefore reduce the net price charged to the neediest students. Colleges could also use a portion of this additional money to create support programs to further increase the retention and graduation rates of low-income students on their campuses.

Eliminate Pell Grant Lifetime Eligibility.

Currently, Pell Grant lifetime eligibility is limited to the equivalent of six years of funding. According to the Education Department's National Postsecondary Student Aid survey, in the 2015-16 academic year, 29 percent of Black students, 25 percent of American Indian students, and 37 percent of Native Hawaiians or other Pacific Islanders had received their first Pell Grant more than six years before.²⁶ Depending on the situation of these students, who were still undergraduates at the time of the survey, they might have lost access to funding to help them complete their degrees. Given the educational pathways of students today, where it can take many years to earn a degree and students may follow many different avenues to a credential, it does not make sense to artificially limit Pell Grant funding.

²⁴ MDRC, *Using Financial Aid to Speed Degree Completion: A Look at MDRC's Research* (New York, NY: MDRC: 2016), https://www.mdrc.org/sites/default/files/2016_Using_Financial_Aid_to_Speed_Degree_Completion_IFv2.pdf.

²⁵ Stephen Burd, Kevin Carey, Jason Delisle, Rachel Fishman, Alex Holt, Amy Laitinen, and Clare McCann, *Rebalancing Resources and Incentives in Federal Student Aid* (Washington, DC: New America, 2013), static.newamerica.org/attachments/2325-rebalancing-resources-and-incentives-in-federal-student-aid/NAF_Rebalancing%20Resources%20FINAL.0b361735744e40c2a088e38239bb0a24.pdf.

²⁶ New America analysis of U.S. Department of Education's National Postsecondary Student Aid Study 2016.

Related New America Work:

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Improve the Student Loan Process from Start to Finish So Students Default Less Often

Overall, about one in four student loan borrowers is delinquent or in default.²⁷ Education Department data reveals problematic repayment trends, especially for Black borrowers—12 years after entering college, the median Black borrower owed more than the original amount borrowed.²⁸ In other words, not only had Black borrowers at the median made no progress towards retiring their debt; their debt situation had actually worsened. What is even more worrisome is that a bachelor's degree, normally thought to protect borrowers in a bad labor market and help ensure they are able to repay their debts, does not insulate Black borrowers in the same way. While only 9 percent of borrowers with a bachelor's degree default on a student loan, the number jumps to 25 percent for Black borrowers.²⁹

²⁷ Aissa Canchola and Seth Frotman, "The Significant Impact of Student Debt on Communities of Color," CFPB's Blog, September 15, 2016, <https://www.consumerfinance.gov/about-us/blog/significant-impact-student-debt-communities-color>.

²⁸ Ben Miller, *New Federal Data Show a Student Loan Crisis for African American Borrowers* (Washington, DC: Center for American Progress, 2017).

²⁹ Ibid.

Judith Scott-Clayton, in an analysis for the Brookings Institution, looked at the 2003–04 cohort of borrowers, and also an earlier cohort who entered higher education in 1995–96.³⁰ By applying the trends of the earlier cohort to the later one, she finds that nearly two in five borrowers are projected to default on their loans by 2023. For Black borrowers, nearly 70 percent are projected to default in their lifetime.

These numbers reveal a crisis for Black borrowers. New America recommends improving the loan process from the moment someone borrows to when they face crises in repayment:

Give part-time students part-time loans.

Under current law, full-time students get larger Pell Grants than part-time students. This makes sense because the more classes students take, the more they have to pay the school, and the less time they have to work to pay for college. However, due to some historical quirks related to the now-defunct Federal Family Education Loan (FFEL) program, these same rules do not apply to the current Direct Loan Program. As a result, low-income students who attend part-time only get a partial Pell Grant, but are still eligible to receive a full debt load. A policy that permits students to get only a portion of a Pell Grant while still allowing them to take out a full loan exacerbates the unfortunate trend of Pell becoming a gateway to debt.³¹ Congress should fix this historical anomaly.

Ensure students borrow federal loans prior to any private loan, including ISA, debt.

Some companies have developed a new form of private debt, known as human capital contracts or income share agreements (ISAs), that requires students to sign over a portion of their future income in exchange for upfront capital. While most ISAs claim to be a replacement for the less-beneficial categories of student aid (private loans and Parent PLUS loans), it's not clear that's always the case. Ultimately, ISAs may present a whole raft of new problems for borrowers. Congress should not promote this new vehicle for student lending until further research is available into their consumer protection implications, including where to establish minimal thresholds in law for their operation. Setting benchmarks too low, as some proposed legislation would, could create a race to the bottom, and too little information is available about where to appropriately set those marks. Congress could, however, require that students exhaust their federal student loan eligibility prior to taking on any form of private student loan, including income share agreements. This will help ensure that borrowers are taking on federal debt that carries critical safety net protections before they approach riskier kinds of debt.

Automatically enroll delinquent borrowers in IDR plans.

The Department of Education proposed in its fiscal year 2019 budget request that delinquent borrowers be automatically enrolled in an income-driven repayment plan—and we agree.³² While there are significant challenges with automatic payroll withholding for student loan repayment,³³

³⁰ Judith Scott-Clayton, *The Looming Student Loan Default Crisis is Worse Than We Thought*. (Washington: DC: Brookings Institution, January 10, 2018).

³¹ Ben Barrett and Amy Laitinen, *Off Limits: More to Learn Before Congress Allows Colleges to Restrict Student Borrowing* (Washington, DC: New America, May 2017), <https://na-production.s3.amazonaws.com/documents/Off-Limits.pdf>.

³² Office of Management and Budget, *Fiscal Year 2019 Budget*, <https://www.whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf>.

³³ New America, Young Invincibles, the National Association of Student Financial Aid Administrators, Urban Institute, and U.S. Chamber of Congress Foundation, *The Case for Payroll Withholding: Preventing Student Loan Defaults with Automatic*

automatically enrolling delinquent borrowers in those plans would save tens of thousands of borrowers each year from the devastating consequences of default and give them another alternative to allow them to repay their loans on more affordable terms that the borrowers may not have been aware were available to them.

Allow for targeted loan cancellation.

A renewed investment into students of color will reduce, or perhaps even do away with, borrowing for these students. But for those borrowers currently in the system, struggling with debt and facing labor market discrimination and/or degrees with little value, there must be a way to cancel debt sooner than signing up for an IDR plan and waiting 20 to 25 years for forgiveness while interest accrues. Those who fall delinquent on their loans should be able to have their debts canceled if their outcomes show that the investment in higher education is far from paying off—for example, they have received a means-tested federal benefit such as enrollment in Medicaid, Supplemental Security Income (SSI), or Supplemental Nutrition Assistance Program (SNAP) for a determined number of consecutive years of repayment.

Preserve, but reform Public Service Loan Forgiveness.

The Public Service Loan Forgiveness (PSLF) program is designed for the worthy purpose of incenting more borrowers to engage in community service by taking jobs in the public sector. But it's a tricky program to implement, has created certain incentives that could have negative effects, and is worthy of reforming to protect the long-term interests of the program. Additionally, Black college-educated workers are overrepresented in federal and state government, so preserving PSLF is important for narrowing the racial wealth gap. Specifically, Congress should:

- Limit the PSLF program to apply only to government employers and 501(c)(3) organizations to facilitate easier implementation and avoid forcing the Department to make more challenging determinations that take enormous time and effort;
- Limit the taxpayer costs and potential that institutions jack up tuition for graduate borrowers, ensuring the sustainability of PSLF over the long term, by capping the amount of available loan forgiveness at a reasonable amount; and
- Increase outreach and identification of eligible borrowers by using data to find those public servants and grant them the forgiveness to which they are entitled.

Pouring more funds to the Temporary Expansion of Public Service Loan Forgiveness (TEPSLF) does little good for borrowers, given the terms for TEPSLF mean the bulk of those funds will likely remain unspent for the foreseeable future. Congress should consider uses of that funding that may better support low-income borrowers and borrowers of color. While it's clear that the narrow and difficult-to-track terms of the Public Service Loan Forgiveness program have led to widespread confusion among applicants, the above fixes are a better solution to improving the implementation of the program—and can provide more targeted financial aid to the students who truly need it. The \$700 million Congress has so far appropriated to TEPSLF could instead provide upfront grant aid, reducing the need to borrow loans at all; an investment that large would provide aid equivalent to the maximum Pell Grant for nearly 112,000 borrowers. Current and future investments should be made with consideration to how well targeted the aid is to the students who need it most.

Hold institutions accountable for graduate borrowing and repayment.

While the entire higher education system is lacking in accountability for programs with prices too high relative to their graduates' outcomes, this is particularly true among graduate programs. Borrowing among graduate students is a significant driver of increases in student debt, opening students and taxpayers to billions of dollars in additional risk each year.³⁴ While graduate loans tend, on average, to perform better than other types of loans in repayment, lawmakers must remain vigilant to ensure such repayment continues. Moreover, highly generous repayment plans (such as Pay As You Earn) provide such significant benefits that they may reduce successful repayment of the loans; estimates from the Department of Education project that a borrower with between \$50,000 and \$100,000 of debt and earning \$60,000 to \$80,000 per year will repay less than he borrowed on Pay As You Earn, and borrowers with more than \$100,000 in debt are virtually guaranteed to repay less than they borrowed unless their incomes exceed \$150,000 per year.³⁵ This also prevents institutional accountability since graduate students are able to borrow up to the cost of attendance, leaving institutions to name their price knowing students may never come close to repaying their loans even though they are technically in repayment. It's an institutional abuse of taxpayer dollars. Moreover, Graduate PLUS loans are excluded from institutions' cohort default rate measures, despite the high levels of debt borrowers often take on. This needs to change. Just like all other student loans, Graduate PLUS loans should have a cohort default rate.

Ensure transparency around graduate programs.

Additionally, lawmakers should ensure additional data reporting—at the program level—for graduate programs and institutions, to provide clearer information about the outcomes of students in those programs. Little is known today about the success of students from those programs or the value of the education relative to the often extremely high costs of enrolling. Congress should use those data in its policymaking, by seeking to better target benefits like income-driven repayment to the students who need those benefits most—including borrowers of color—and to establish accountability mechanisms to ensure institutions are not offering programs of minimal value in exchange for such significant levels of student debt.

Improve student loan servicing to work better for borrowers.

The student loan servicing space is filled with complaints and allegations that servicers bungled the handling of their loans, didn't process paperwork in a timely manner, and failed to keep at-risk borrowers from slipping into default on their loans. In addition to making for a simpler loan repayment system that reduces confusion about the program, Congress should require high-touch efforts for the borrowers who need it most, hold servicers accountable to consistent, high standards of practice, and protect the existing authority of both states and the Department of Education to hold servicers accountable when they fall short.

³⁴ Beth Akers and Matthew Chingos, *Is a Student Loan Crisis on the Horizon?* (Washington, DC: Brookings, 2014), <https://www.brookings.edu/wp-content/uploads/2016/06/Is-a-Student-Loan-Crisis-on-the-Horizon.pdf>.

³⁵ U.S. Department of Education, "Comparison of Total Originations to the Net Present Value of Payments in Each IDR Repayment Plan All Borrowers Expected to Enter IDR Repayment in 2017," <https://ed.gov/about/overview/budget/budget18/idrtables.pdf>.

End the non-profit loan servicer and guaranty agency entitlement.

The 2010 law that eliminated the FFEL program in favor of Direct Lending vastly simplified the federal student loan system and removed unnecessary administrative costs from the program. However, vestiges of the old program remain in place. The law effectively grandfathered over two dozen non-profit student loan agencies that had participated in FFEL into the Direct Loan program by guaranteeing them the right to service at least 100,000 newly issued loans at competitively set compensation rates plus a premium rate. The remaining loans are allocated to four non-profit and for-profit servicing companies that won competitively bid contracts from the Education Department; those companies are paid a fee based on their bids.

The non-profit servicer entitlement has made the federal student loan program more complicated and costly than it should be. First, the shuffling of student loan accounts that has occurred as the Department brings each of the non-profit loan servicers on board has been confusing and disruptive to affected borrowers. In some instances, borrowers have experienced serious accounting and repayment errors. Second, because the non-profit servicers were awarded contracts that cost the government more per loan than do the competitively bid servicers' contracts, the federal government is spending more than necessary to run the federal loan program.

Congress should end the non-profit servicer program and allocate student loan servicing among companies that competitively bid contracts. Furthermore, borrowers should be allowed to switch among servicers if they are unhappy with the one which they have been assigned.

Additionally, the middlemen of the now-defunct Federal Family Education Loan (FFEL) program should no longer receive payments from the federal government. Guaranty agencies, which were created to insure and collect on defaulted student loans, serve an ever-shrinking pool of borrowers. Yet they still sit on a sizeable pot of money, and continue to receive account maintenance fees.³⁶ Eliminating those account maintenance fees would save taxpayers \$656 million.³⁷ That funding can be much better spent improving servicing for the borrowers who need it most.

Restore bankruptcy dischargeability for private student loans.

Private student loans are often riskier than federal loans for students despite the fact that, theoretically, the private market should be a relatively safe source of additional credit. But federal policy undermines the checks and balances of the private student loan market since, unlike other forms of private credit, including credit cards and mortgages, private students loans are not dischargeable in bankruptcy. The lack of a bankruptcy provision means that those with private student loans are essentially on the hook for a lifetime, which provides the lenders with little incentive to consider whether borrowers will be able to repay their loans. Private student loans should be subject to the same bankruptcy policies as other unsecured consumer credit. If borrowers can declare bankruptcy, like they can with credit cards, lenders might reconsider giving loans to those who can't afford to pay them back and borrowers will have a safety net should they experience unexpected financial hardship.

³⁶ Robert Shireman and Tariq Habash, *Have Student Loan Guaranty Agencies Lost Their Way?* (New York, NY: The Century Foundation, September 2016), <https://tcf.org/content/report/student-loan-guaranty-agencies-lost-way>.

³⁷ Office of Management and Budget, *Fiscal Year 2019 Budget*, <https://www.whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf>.

Do not spend scarce dollars on regressive and poorly targeted student loan refinancing.

Congress should not spend billions of taxpayer dollars to create a process for federal loan borrowers to refinance to a lower interest rate. While it is a popular idea, it would cost billions without truly addressing affordability problems in higher education. According to our research, although many households would be eligible for refinancing, a large portion of the benefits would go to a small number of households with high debt balances. Moreover, households would save an average of only \$8 per month; and borrowers with the lowest credential levels or no degree would see the smallest difference, in part because their current monthly payments are already relatively low.³⁸ Instead, lawmakers should facilitate easier enrollment in income-driven repayment plans to provide a true safety net for borrowers, especially those most at risk of default, after leaving school; and seek to make college more affordable for the lowest-income students.

Related New America Work:

New America, along with Third Way et al., *A Higher Education Menu of Ideas for New Members* (Washington, DC: Third Way, December 2018), <https://thirdway.imgix.net/downloads/this-is-a-formatting-test-document/A-Higher-Ed-Menu-of-Policy-Ideas-FINAL.pdf>.

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New America, Young Invincibles, the National Association of Student Financial Aid Administrators, Urban Institute, and U.S. Chamber of Congress Foundation, *The Case for Payroll Withholding: Preventing Student Loan Defaults with Automatic Income-Based Repayment Enrollment* (Washington, DC: New America, December 2014), https://s3.amazonaws.com/www.newamerica.org/downloads/RADDIII_PAYROLL_FINAL.pdf.

³⁸ Kim Dancy and Alexander Holt, *In the Interest of Few: The Regressive Benefits of Student Loan Financing* (Washington, DC: New America, June 2017), <https://na-production.s3.amazonaws.com/documents/Interest-of-Few.pdf>.

Stephen Burd, Kevin Carey, Jason Delisle, Rachel Fishman, Alex Holt, Amy Laitinen, and Clare McCann, *Rebalancing Resources and Incentives in Federal Student Aid* (Washington, DC: New America, 2013), https://static.newamerica.org/attachments/2325-rebalancing-resources-and-incentives-in-federalstudent-aid/NAF_Rebalancing%20Resources%20FINAL.0b361735744e40c2a088e38239bb0a24.pdf.

Fix the Parent PLUS Loan Program

Right now, the federal government provides “access” to higher education, via Parent PLUS loans, to any college or university as long as a parent is approved. But if the parent is low-wealth, then a PLUS loan does not provide true access because it will ultimately result in harm and erasure of wealth when the bill is due. Unlike federal subsidized or unsubsidized student loans, which have strict borrowing limits, parents are able to borrow up to the total cost of attendance (COA), which can include room and board, transportation, books and supplies, and other indirect expenses critical to academic success in addition to tuition and fees. As a result, parents can borrow a sizeable amount, one that far exceeds the strict borrowing caps that undergraduate students face. The PLUS loan has a higher interest rate than undergraduate student loans and comes with a higher origination fee. The PLUS loan adverse credit history check only looks at credit history and not ability to repay the loan, thus low-wealth parents can quickly get in over their heads with debt. Since the federal government has a sense of a family’s ability to repay through data provided on the FAFSA and the calculation of a family’s expected family contribution, and then can collect on PLUS debt through means such as wage, tax refund, and social security garnishment, for some families the loan is predatory.

The switch to intergenerational debt-financing for higher education has worsened the racial wealth divide. For white families, for the most part as income increases so does the share of Parent PLUS borrowers. For Black families, it is exactly the opposite case.³⁹ Approximately a third of white PLUS borrowers come from household AGIs of more than \$110,001, with about one in 10 coming from families with AGIs less than \$30,000. For Black families, about one in 10 have AGIs over \$110,001, with approximately one-third having an AGI of less than \$30,000.

New America recommends several changes with Parent PLUS that will put it on firmer footing and end predatory lending practices. While the Parent PLUS program has provided an avenue for students at many institutions, including private HBCUs, to fill a gap in financial need, Congress should consider the true needs of students from low-income families by replacing federal loans to parents with grant aid to students:

Preserve PLUS but add an “ability-to-pay” measure.

Parent PLUS was not designed for low-income parents. It was designed to provide better interest rates than middle- and upper-income parents could get in the private market during a time when interest rates were over 20 percent. It was meant to provide upfront liquidity to cover expected family contributions, not to fill unmet need. Given some of the issues with the program, it might be tempting to end the Parent PLUS loan program and let the private market prevail again. But turning

³⁹ Rachel Fishman, *The Wealth Gap PLUS Debt: How Federal Loans Exacerbate Inequality for Black Families*. (Washington, DC: New America, May 15, 2018), <https://www.newamerica.org/education-policy/reports/wealth-gap-plus-debt>.

things over to the private market usually leads over time to predatory products that are worse in terms of consumer protections. Instead, the Parent PLUS program should be preserved for those looking for a fixed-rate higher-education loan with stronger consumer protections than are typically available in the private market.

The primary filter for Parent PLUS, looking at a parent's adverse credit history, is not the best way to accurately assess whether or not someone has the ability to repay the loan. Someone with no income, no assets, and no credit history would be Parent PLUS-eligible, because that person does not have a negative credit history. Adding an ability-to-repay measure to the Parent PLUS credit check would be a much less predatory standard, ensuring that parents are able to access a capped loan that they actually would have the means to repay. The government already collects information on a family's ability to repay through the FAFSA and its calculation of expected family contribution (EFC). EFC could be used in tandem with adverse credit history to determine a family's loan limit. If a family has a zero EFC, the parent could not be offered a PLUS loan. This does not mean the student would not have access to student loans. In fact, they would be eligible for the normal amount of student loans and also offered additional loans up to the independent lending limit, a process that currently happens when parents are rejected for PLUS loans based on adverse credit history alone. In other words, if a parent applies for a PLUS loan with EFC of zero to \$4,000 or \$5,000, depending on the year a student is in school, his child would instead be given access to \$4,000 to \$5,000 in additional federal student loans. Overall, Parent PLUS limits would should be capped by EFC or COA, whichever is lower.

While it may seem counterintuitive to give more loans to low-income students, the loans made directly to students come with protections that Parent PLUS loans do not have, like access to income-driven repayment and lower interest rates. They also ensure the neediest of parents do not end up with non-dischargeable debt as they close in on retirement. Students should also be required to exhaust their own loan eligibility before their parents turn to PLUS.

Expand grant aid to low-income students, rather than making PLUS eligible for income-driven repayment.

The 2018 House Democratic bill to reauthorize the Higher Education Act and a student loan bill from Senator Merkley have both called for expanding IDR to Parent PLUS borrowers. This would band-aid over a significant problem of non-repayment and unaffordable debt for parents who borrow (as much as the full cost of attendance at the school) to pay for their children's education using PLUS loans. Rather than providing enough grant aid to let low-income students and their parents afford college, or reforming the program so that only parents with a demonstrated ability to repay can borrow, or holding colleges accountable for packaging PLUS debt with parents who ultimately default on the loans, it would simply make Parent PLUS loans eligible for income-driven repayment plans. IDR, which is designed to serve as a safety net for students whose education doesn't pay off, is singularly ill-suited for parent loans, where the parent obviously isn't expected to see an earnings bump from his or her child's education. In fact, as parents head to retirement, they'll likely see their earnings go down. Funnelling Parent PLUS borrowers who can't afford their debt into IDR plans is virtually guaranteed to make the non-repayment problem worse, threatening the long-term viability of the federal loan program. Low-income families need grant aid, not more loans.

Allow Parent PLUS loans to be dischargeable in bankruptcy.

Higher education loans, whether federal or private, are not usually dischargeable in bankruptcy. While private higher-education loans should be dischargeable like other consumer debts (as noted elsewhere in these comments), federal loans will likely remain nondischargeable as they are backed by taxpayer dollars. Given that there are hardly any safety valves for Parent PLUS debt, and that of all the loans within the federal portfolio of higher-education loans it most closely resembles private debt, the path to discharging PLUS debt should have a simpler test compared to current standards. In the future, Congress should make PLUS loans dischargeable in bankruptcy, especially because it already has some underwriting, given the adverse credit history check, and even more so once an ability-to-pay measure is added to the credit check.

Require entrance counseling and better disclosure surrounding terms and conditions of Parent PLUS Loans.

Entrance counseling is required of all federal student loan borrowers but cannot be required for Parent PLUS borrowers. The only counseling requirement currently mandatory for Parent PLUS borrowers is when a parent is rejected but wins an appeal. Since entrance counseling is not required, parents and students are often blindsided by how the terms and conditions of these loans are very different than federal student loans. Going forward, Congress should make all federal higher-education loans align with current entrance counseling requirements. Parent PLUS entrance counseling must indicate that the loan is borrowed by the parent, is non-transferrable to the student, and is not eligible for income-driven repayment plans. It must also explain repayment options, including deferments and forbearances, and that the loan is not dischargeable in bankruptcy. Finally, it should clearly state that failure to pay not only results in damage to credit scores but could also result in wage garnishment, Social Security offsets, and seizure of tax refunds.

Collect better data on PLUS loans.

The Education Department should release more detailed information on PLUS loans, broken out by loan type. As our research has shown, the only way to understand the demographics of PLUS loan borrowers currently is through triangulation using U.S. Department of Education surveys of students. The lack of default data makes it almost impossible to determine whether PLUS loans are predatory. The problems with PLUS loan data are twofold: 1) Parent PLUS and Graduate PLUS, federal loans made for graduate education, are often combined even though the demographics of borrowers are different; and 2) Parent PLUS loan data are not reported and sometimes not even collected. Right now, policymakers are operating blind when it comes to understanding and diagnosing problems with the PLUS loan portfolio. In the aggregate the portfolio performs well, but even with the limited data available there are worrisome issues with PLUS. Without better information, it is difficult to craft thoughtful solutions. Congress should request that the Education Department release the following data by institutions, sector, and portfolio, separated by Grad and Parent PLUS: lifetime (20- or 30-year) default rates; cohort-default rates; PLUS loan repayment outcomes including delinquency, by income and race; data to calculate accurate repayment rates; and data to calculate total familial indebtedness by linking PLUS and undergraduate debt.

Prevent institutions from listing PLUS loan amounts in financial aid award letters.

Once students are accepted into college, they receive a financial aid award letter detailing what federal, state, local, and institutional aid for which they are eligible. An analysis by New America and uAspire of thousands of award letters to predominantly low-income families revealed that 15

percent of letters contained PLUS loans, often misleadingly designed to make the college appear affordable by including tens of thousands of dollars in PLUS loans to fill any financial aid gaps for the student.⁴⁰ A Parent PLUS loan amount should never be packaged anywhere within a student's financial aid award letter as it is not a guarantee and is not direct aid to the student. Institutions should be encouraged to only mention Parent PLUS loans as a way to cover outstanding expenses along with other options such as a tuition payment plan, with no amount given.

Hold colleges accountable for Parent PLUS default rates.

Parent PLUS loans are not included in institutional cohort default rate calculations, making them a no-strings-attached revenue source for colleges and universities. Colleges and universities should face the same accountability for these loans as subsidized and unsubsidized direct loans. Three-year institutional cohort default rates should be calculated specifically for Parent PLUS. Just like with current cohort default rate policy, institutions should face sanctions if their Parent PLUS default rate is at least 30 percent (or likely lower, since parents must pass a credit check), including loss of eligibility to offer PLUS loans if the rate remains high year over year. To craft appropriate yearly cohorts, Parent PLUS loans should not be eligible for deferment while the student is enrolled in school.

Related New America Work:

Rachel Fishman, *The Wealth Gap PLUS Debt: How Federal Loans Exacerbate Inequality for Black Families*. (Washington, DC: New America, May 15, 2018), <https://www.newamerica.org/education-policy/reports/wealth-gap-plus-debt>.

Set Students Up for Success

Today, Black and Latino adults are almost half as likely to get a postsecondary degree as their white peers and fewer than 15 percent of low-income students get a four-year degree, while more than 6 in 10 wealthy students do.⁴¹ Fewer than half of Black and Hispanic students who begin college will graduate within 6 years, and students who start college but do not complete are three times more likely to default on their student loans.⁴² New America has several policy recommendations aimed at closing the equity gap in credential attainment and reducing unnecessary barriers to a degree:

Engage in evidence-based policymaking.

Low-income students and students of color are less likely to go to college, and less likely to go to the colleges with the best outcomes for their students if they do enroll. For-profit colleges disproportionately enroll low-income and Black students, while charging more and reporting lower earnings than public-college programs in the same field of study.⁴³ Moreover, once they enroll in

⁴⁰ Stephen Burd, Rachel Fishman, Laura Keane, Julie Habbert, Ben Barrett, Kim Dancy, Sophie Nguyen, and Brendan Williams, *Decoding the Cost of College: The Case for Transparent Financial Aid Award Letters* (Washington, DC: New America and uAspire, June 2018), <https://www.newamerica.org/education-policy/policy-papers/decoding-cost-college>.

⁴¹ Emily Tate, "Graduation Rates and Race," *InsideHigherEd*, April 26, 2017, <https://www.insidehighered.com/news/2017/04/26/college-completion-rates-vary-race-and-ethnicity-report-finds>.

⁴² College Board, "Two-Year Student Loan Default Rates by Degree Completion Status over Time," <https://trends.collegeboard.org/student-aid/figures-tables/two-year-student-loan-default-rates-degree-completion-status-over-time>.

⁴³ Center for Responsible Lending, "The State of For-Profit Colleges," <https://www.responsiblelending.org/research-publication/state-profit-colleges>. See also: U.S. Department of Education, "Fact Sheet: Department of Education

higher education, too many students drop out for financial or other reasons, leaving school empty-handed and often carrying thousands in debt.⁴⁴ For instance, Black students are far less likely to graduate, especially in the expected amount of time for their programs; and nearly two out of three associate and bachelor's degrees are awarded to white students.⁴⁵ Even at community colleges, where higher education programs are most affordable, fewer than one in three students graduates within one-and-a-half times the length of the program.⁴⁶

To address problems of this scale, lawmakers will need to make serious investments in promoting what works to change institutional practices and expand the use of evidence-based interventions. Lawmakers should direct the Education Department to study the effectiveness of its programs (such as TRIO and GEAR UP), require the use of evidence in discretionary grant programs, improve the quality of higher education data, and launch a new program to continue building the existing library of evidence about what works in higher education and for whom. Legislation like the FINISH Act, introduced by Senators Young, Hatch, and Bennet; the College Transparency Act introduced by Senators Warren, Hatch, Whitehouse, and Cassidy; and the Innovation Zone Act, introduced by Senator Young, take important steps in that direction—but policymakers must also ensure that evidence and data are at the root of all efforts to improve higher education for students and borrowers of color.

Close college completion equity gaps.

Equity gaps begin early in college: low-income students and students of color are less likely to enroll in their second year of college than their white or affluent peers.⁴⁷ This early disparity grows into the large college completion rate gap between white students and students of color. At four-year institutions, the completion rate for Native and Black students is almost 20 percentage points below the completion rate for white students, and students who receive a Pell Grant are less likely than students who do not receive one to complete a degree or credential program.⁴⁸ Congress should prioritize closing the completion gaps that exist for both low-income students and students of color by establishing a new grant program that provides additional resources to institutions dedicated to closing existing equity gaps on campus. This new program could look to the tiered evidence program in the bipartisan FINISH Act from Senators Hatch, Bennet, and Young that provides additional resources to institutions dedicated to closing existing equity gaps on campus.

Announces Release of New Program-Level Gainful Employment Earnings Data," <https://www2.ed.gov/documents/press-releases/ge-fact-sheet-online.pdf>.

⁴⁴ Robert Kelchen, "A Look at Pell Grant Recipients' Graduation Rates," *Brown Center Chalkboard*, October 25, 2017, <https://www.brookings.edu/blog/brown-center-chalkboard/2017/10/25/a-look-at-pell-grant-recipients-graduation-rates>. See also: Jean Johnson and Jon Rochkind, *With Their Whole Lives Ahead of Them: Myths and Realities About Why So Many Students Fail to Finish College* (New York, NY: Public Agenda, N.D.) <https://www.publicagenda.org/pages/with-their-whole-lives-ahead-of-them>.

⁴⁵ U.S. Department of Education, Office of Planning, Evaluation and Policy Development and Office of the Under Secretary, *Advancing Diversity and Inclusion in Higher Education* (Washington, DC: U.S. Department of Education, 2016), <https://www2.ed.gov/rschstat/research/pubs/advancing-diversity-inclusion.pdf>.

⁴⁶ U.S. Department of Education, National Center for Education Statistics, "Table 326.20. Graduation rate from first institution attended within 150 percent of normal time for first-time, full-time degree/certificate-seeking students at 2-year postsecondary institutions, by race/ethnicity, sex, and control of institution: Selected cohort entry years, 2000 through 2013," https://nces.ed.gov/programs/digest/d17/tables/dt17_326.20.asp?current=yes.

⁴⁷ National Student Clearinghouse Research Center, "National College Progression Rates," <https://nscresearchcenter.org/wp-content/uploads/HighSchoolBenchmarks2016.pdf>

⁴⁸ U.S. Department of Education, National Center for Education Statistics, "Graduation Rates for Selected Cohorts" NCES 2018-151, <https://nces.ed.gov/pubs2018/2018151.pdf>.

Ban states from taking away professional licenses or withholding the transcripts of students who default.

Currently, 16 states deny professional or driver's licenses to borrowers who default on their federal student loans. This stymies their ability to earn a living, leaving it nearly impossible to get out of default. Moreover, the Education Department recently noted that some colleges have policies of withholding transcripts for students whose federal loans are discharged or who default, preventing those students from completing their degrees elsewhere. Congress should prevent states and colleges from imposing such restrictions.

Reform remediation.

Over 50 percent of students entering community college and a third of students entering four-year institutions are required to take remedial courses, and students of color and low-income students are disproportionately placed into these classes.⁴⁹ This increases time to completion and often serves as a barrier to graduation—only 9 percent of students placed in remedial courses at community college graduate within 3 years, and only 35 percent of students at four-year institutions in these courses graduate within six years.⁵⁰ However, studies show that these students can be almost as successful as peers who did not qualify for remediation if colleges redesign how the courses are facilitated or offer alternative supports.⁵¹ Congress should improve completion outcomes for students by creating a new grant that provides funding for colleges to improve or adopt successful, evidence-based remediation models. The Remedial Education Improvement Act introduced by Representatives Norcross, Moulton, Walz, Scott, and Davis provides an example of how Congress could develop a program that supports institutions to reform remediation through a variety of evidence-based models.

Related New America Work:

New America, along with Third Way et al., *A Higher Education Menu of Ideas for New Members* (Washington, DC: Third Way, December 2018), <https://thirdway.imgix.net/downloads/this-is-a-formatting-test-document/A-Higher-Ed-Menu-of-Policy-Ideas-FINAL.pdf>.

Ernest Ezeugo, "Misguided Payment Policies that Fuel the College-Dropout Trap," *Hechinger Report*, September 12, 2017, <https://hechingerreport.org/opinion-misguided-payment-policies-fuel-college-dropout-trap>.

Hold For-Profit Institutions Accountable and Be Wary of "Innovations" that Hurt Students of Color

⁴⁹ The Bill and Melinda Gates Foundation, "Student Success: Remedial Education," <http://postsecondary.gatesfoundation.org/remedial>; See also: Celia Hartman Sims, "Remediation: Higher Education's Bridge to Nowhere," Postsecondary National Policy Institute's Blog, April 9, 2012, <https://www.newamerica.org/post-secondary-national-policy-institute/our-blog/remediation-higher-educations-bridge-to-nowhere>.

⁵⁰ The Bill and Melinda Gates Foundation, "Student Success: Remedial Education," <http://postsecondary.gatesfoundation.org/remedial>;

⁵¹ New America, "Developmental or Remedial Education," <https://www.newamerica.org/education-policy/topics/higher-education-access-and-affordability/college-transitions/developmental-or-remedial-education>.

Under the Trump administration and a Republican Congress, moves have been made to undo critical regulations and laws meant to reign in the for-profit industry and safeguard students from untested “innovative” models of higher education. From the Education Department rewriting the Gainful Employment regulation, to the PROSPER Act rescinding a revenue rule and allowing for-profit colleges and universities to receive up to 100 percent of their revenue through taxpayer dollars, to allowing Pell Grants for short-term programs that will not prepare students for a career, to allowing institutions to outsource entire educational programs to unaccredited providers, the renewed traction of profit motivations in higher education is a move in the wrong direction for students and taxpayers. New America believes that strong laws and regulation are essential to prevent harm to students and waste and abuse of taxpayer dollars:

Raise expectations of for-profit institutions and hold them accountable for predatory practices.

The for-profit sector has a long history of predatory recruiting practices and abusive use of federal financial aid, leaving students with no degrees, or degrees of little value, and thousands of dollars in debt.⁵² Despite their track record or serving students poorly, for-profit institutions remain quite popular among students of color. While the majority of students of color with some federal loans (excluding Parent PLUS loans) in 2016 enrolled in a public four-year institution, roughly 25 percent of Black and Latino undergraduates with federal loans still enrolled in a for-profit college and university (compared to only 12 percent of white college students).⁵³ A representative survey of Americans published by New America in May 2018 found that nearly half of Blacks and Latinos agree that for-profit colleges and universities are worth the cost, compared with only 37 percent of whites. Black Americans are also the most likely among all racial groups to think that for-profit institutions are for people like them, 56 percent of Black Americans in contrast to 44 percent of the general public.⁵⁴

Especially given the positive perceptions of for-profit institutions among Black Americans and their notorious practices and poor student outcomes, consumers should be protected from bad actors by using different accountability measures. Unfortunately, many have been pushing to protect the industry, reversing or weakening many of such measures: the proposed elimination of the 90-10 rule from the PROSPER Act, the rewrite and indefinite delay of the Gainful Employment Rule, the push towards providing Pell Grants and even loans for short-term programs, and most recently the Trump Administration’s deregulatory agenda focused on weakening accreditation standards and loosening rules for distance education schools. These are rules that will partially or directly benefit for-profit institutions, allowing them to recruit more students and receive taxpayers’ dollars without much regard for programs’ quality and student outcomes.

Even though accountability measures should be applied to all institutions of higher education, not only those in the for-profit sector, given the negative track record of for-profit institutions, New America believes Congress must strengthen scrutiny into these institutions. That includes maintaining a strong gainful employment rule, closely evaluating attempted conversions of for-

⁵² Robert Shireman, *The For-Profit College Story: Scandal, Regulate, Forget, Repeat* (New York, NY: The Century Foundation, January 2017), <https://tcf.org/content/report/profit-college-story-scandal-regulate-forget-repeat>.

⁵³ New America analysis of U.S. Department of Education’s National Postsecondary Student Aid Study 2016.

⁵⁴ Rachel Fishman, Ernest Ezeugo, and Sophie Nguyen, *Varying Degrees 2018: New America’s Annual Survey on Higher Education* (Washington, DC: New America, May 2018), <https://www.newamerica.org/education-policy/reports/varying-degrees-2018/explore-the-data>.

profit corporations to nonprofit institutions, strengthening incentive compensation rules, protecting students from predatory practices like forced arbitration, and preventing the expansion of low-quality, for-profit education.

Approach funding short-term programs with federal financial aid with extreme caution.

Very short higher education programs can provide students with valuable skills and credentials when they are strongly connected to clear employer needs, but Congress should be extremely cautious before permitting unfettered access to Pell Grants for short-term programs (less than 15 weeks). Under the current rules and regulations, the Department, state, policymakers, and consumers lack the tools necessary to ensure the quality of short-term certificate programs. Specifically, the only way to truly determine the quality of short-term training programs is through the employment and earnings outcomes of the students who complete them. But those data are not easy for institutions or policymakers to obtain, which severely limits lawmakers' ability to protect students and taxpayers from low-quality programs. What's more, existing studies of short-term certificate programs point to wide variations in the employment and earnings of program graduates, as well as significant variation in the cost of similar programs offered by different providers. For example, among Gainful Employment certificate programs, thirty-two percent of for-profit graduates and 14 percent of public college graduates went to programs in which the typical borrower earned less than a full-time minimum-wage worker (\$14,500). Other rigorous research confirms those findings; a study found, using data on students from Washington State, sizeable increases in quarterly wages for both long-term certificates and associate degrees, but found "that short-term certificates have no overall labor market value in terms of increasing wages."⁵⁵ Another study found that, using a nationally representative survey, certificates and associate degrees did not increase earnings as compared with students with some college but no credential; and there were "no clear earnings gains" from any combination of stacked credentials considered.⁵⁶

Given the substantial barriers to ensuring the quality of short-term programs, lawmakers should never expect or allow a student to take on debt for these kinds of training programs. Variations in tuition and labor market outcomes also mean that short-term programs can easily cost students more than they're worth and will eat into students' lifetime eligibility for Pell Grants, limiting their options in the long run. While Congress already permits programs to be as short as 15 weeks (or 10 weeks in some cases), there is little justification or evidence that shortening programs to 8 weeks will improve students' outcomes upon completion—and plenty of evidence that students don't often see significant positive returns on their investments for short programs or that they consistently return to continue their education with a higher-value credential.

While we oppose shortening the minimum length of programs in the Higher Education Act, any expansion of the Pell Grant program to these types of training courses should be highly limited in the amount of aid provided. They should have very strict outcomes-based quality measures in place, including earnings and employment outcomes, that result in loss of eligibility if they fail to meet the bar.

⁵⁵ Mina Dadgar and Madeline Joy Weiss, Labor Market Returns to Sub-Baccalaureate Credentials: How Much Does a Community College Degree or Certificate Pay?, Community College Research Center, June 2012, <https://files.eric.ed.gov/fulltext/ED533520.pdf>.

⁵⁶ Thomas Bailey and Clive Belfield, Stackable Credentials: Do They Have Labor Market Value?, Community College Research Center, April 2017, <https://ccrc.tc.columbia.edu/publications/stackable-credentials-do-they-have-labor-market-value.html>.

Renew investments in workforce programs.

Federal funding for workforce development and career technical education programs has been declining steadily for more than two decades. For example, funding for the Department of Labor's programs to support dislocated workers is less today, in real dollars, than in the late 1990s. State spending on higher education in 2017 was less, in real dollars, than in 2001, and community colleges have taken a comparatively larger share of cutbacks.⁵⁷ Funding for adult education systems has declined by 20 percent since 2005 and the system serves 1 million fewer adults that it did in 2000, despite a growing demand for services.⁵⁸ In fact, the United States spends the least on job training, re-skilling, and employment programs among advanced economies. Congress should reverse this trend by making heavy investments in workforce programs, like those under the Workforce Innovation and Opportunity Act, which are more appropriately designed to fund short-term training programs.

Protect and strengthen incentive compensation rules.

The incentive compensation rules grew out of scores of abuses in higher education, particularly in the for-profit sector, uncovered throughout the 1980s and early 1990s. A report from then-Senator Sam Nunn and the investigations subcommittee of the Senate Committee on Governmental Affairs found that colleges were misrepresenting the schools to students, illegally recruiting ineligible students, and even falsifying information. In the most egregious cases, recruiters blatantly and openly lied to prospective students about their programs and financial aid to persuade them to enroll. The recruiters had a strong incentive to do so, since their pay was tied to the number of students they enrolled. The Higher Education Act should maintain strict restrictions on incentive compensation of all types for admissions and recruitment work by institutions and their third-party servicers; clarify that salary reductions—not just bonuses—can run afoul of incentive compensation laws; and add an additional statutory restriction on compensation regimes that are based on retention or graduation rates, existing loopholes in the law that let institutions proxy recruitment activities without necessarily breaking the law.

Update Cohort Default Rates to measure the true scale of repayment problems.

The cohort default rate measure drastically understates the repayment problems across institutions of higher education. Data from the Department show that, three years after leaving school, fewer than half (46.2 percent) of borrowers have paid down even one dollar of their outstanding loan balances.⁵⁹ Fewer than a dozen schools lost eligibility for federal aid last year based on their cohort default rates, despite these egregiously bad outcomes for borrowers at hundreds of schools.⁶⁰

The solution for these problems is fairly straightforward. Rather than measure only defaults, Congress should require schools to meet a stricter standard that considers all manner of poor repayment outcomes. A non-repayment rate—one that includes defaults and delinquencies, such as

⁵⁷ Council of Economic Advisors, *Addressing America's Reskilling Challenge* (Washington, DC: Executive Office of the President of the United States, July 2018), <https://www.whitehouse.gov/wp-content/uploads/2018/07/Addressing-Americas-Reskilling-Challenge.pdf>.

⁵⁸ National Skills Coalition, "Federal Policy>Adult Education," <https://www.nationalskillscoalition.org/federal-policy/adult-basic-education>.

⁵⁹ Kim Dancy and Ben Barrett, "Fewer Borrowers Are Repaying Their Loans Than Previously Thought," *EdCentral*, January 13, 2017, <https://www.newamerica.org/education-policy/edcentral/fewer-borrowers-are-repaying-their-loans-previously-thought>.

⁶⁰ Michael Itzkowitz, *Why the Cohort Default Rate is Insufficient* (Washington, DC: Third Way, November 7, 2017), <http://www.thirdway.org/report/why-the-cohort-default-rate-is-insufficient>.

the version proposed in H.R. 4508⁶¹ — may capture a broader range of outcomes. However, a repayment rate that looks at the percentage of borrowers meeting repayment targets on their loans, such as to pay down a certain percentage of their loan balances within a three-year timeframe, would provide an even more accurate measure of whether or not borrowers are struggling to repay their loans. Importantly, institutions should be held accountable for all of the loans their students take on—including PLUS loans. Setting a precise target can be very difficult, but we urge you to conduct and publish an analysis informed by data from the Education Department’s Office of Federal Student Aid to develop an understandable definition of repayment rate, and to establish an acceptable target for repayment that maintains rigorous expectations for institutions’ outcomes. This analysis should also inform whether and how best to consider accountability at the program level, as too little analysis has been done to understand the degree to which repayment rates vary across programs within an institution. And regardless of whether Congress elects to use program-level metrics to assess repayment outcomes, it should supplement—and not replace—institution-level accountability.⁶²

Put consumer protection at the forefront of the debate and push back on harmful deregulatory efforts.

With much discussion in recent years on the need to reduce regulation in higher education—including the creation of a task force that asked the higher education lobby to write its own regulatory agenda⁶³—lawmakers must proceed with extreme caution. Efforts to deregulate must place students, particularly students of color, as the primary consideration, and avoid making any changes in law that are designed simply as a handout to the higher education industry.

Secretary Betsy DeVos’ deregulatory efforts in recent years present a prime example of this “handout” approach. Removing the gainful employment rule and rewriting the borrower defense rule, as Secretary DeVos has indicated is her goal, will have serious implications for the students who enroll in poor-performing programs, take on debt they cannot afford, and cannot access remedies—but have significant benefits for the institutions that will no longer be held accountable for poor actions or, in the vast majority of cases, even for their own lies to students. Secretary DeVos has since expanded that deregulatory agenda to include a whole host of other, critical consumer protections: a definition of the credit hour that brings some consistency to a particularly messy part of higher education; a requirement that online programs meet minimum standards for interaction between students and teachers, and comply with state regulations; the baseline requirements that accrediting agencies must meet; and more.

But accountability measures such as Gainful Employment Rules have proved effective. Out of 767 gainful employment programs that failed both the rule and the appeal process (almost all of which were at for-profit institutions), 65 percent of programs have been suspended by the institution; in many cases, the institutions have been closed.⁶⁴ Research shows that, when these poor-performing for-profit institutions close, students are likely to re-enroll at local community colleges that cost them

⁶¹ U.S. Congress, House, *Promoting Real Opportunity, Success, and Prosperity through Education Reform Act of 2017 (PROSPER ACT)*, HR 4508, 115 Cong., 2d Sess., <https://www.congress.gov/bills/115/congress/house-bill/4508>.

⁶² For more: <https://www.newamerica.org/education-policy/public-comments/our-public-comments-education-policy/response-chairman-alexander-hea-accountability-white-paper>.

⁶³ Alexander Holt and Amy Laitinen, “Higher Education Isn’t Going to Regulate Itself,” *Pacific Standard*, February 10, 2016, <https://psmag.com/news/higher-education-isnt-going-to-regulate-itself>.

⁶⁴ New America comments to U.S. Department of Education on Gainful Employment rule, September 13, 2018, https://s3.amazonaws.com/newamericadotorg/documents/092018_New_America_Comments_on_GE_NPRM.pdf.

less in tuition and fees but can lead to better-valued degrees.⁶⁵ Lawmakers should reverse this exceedingly harmful deregulatory agenda, reaffirming their commitment to ensuring students who enroll in higher education are accessing a system that gives them good odds for success in their lives and careers.

Related New America Work:

New America's Higher Education Act Reauthorization Recommendations to Senators Alexander and Murray, February 23, 2018, http://na-production.s3.amazonaws.com/documents/2018_New_America_Recommendations_for_the_Reauthorization_of_the_Higher_Education_Act.pdf.

New America's Comments on the Education Department's Proposed Gainful Employment Rule, September 13, 2018, https://s3.amazonaws.com/newamericadotorg/documents/092018_New_America_Comments_on_GE_NPRM.pdf

Kim Dancy and Ben Barrett, "Fewer Borrowers Are Repaying Their Loans Than Previously Thought," *EdCentral*, January 13, 2017, <https://www.newamerica.org/education-policy/edcentral/fewer-borrowers-are-repaying-their-loans-previously-thought>

Provide Transparency and Improve Data

As anxiety over student debt and college costs reaches new heights, the public is growing increasingly uncertain about the value of a college education and is asking the question: "Is college worth it?" The answer is an unequivocal "yes." But the questions we should be asking are: In which program, at which college, at which price, and for which students is it worth it? Students, families, and taxpayers are spending unprecedented amounts on higher education, but remain largely in the dark about how to spend these precious dollars. Information exists to help answer these questions—but students don't have access to it. New America believes students of color deserve to have information about how students like them fare in various programs:

Allow students and taxpayers to get answers to critical questions about college outcomes.

Congress needs to pass College Transparency Act to help provide answers that students, families, taxpayers, and policymakers have a right to know. This language, supported by every major public higher education association, business organizations like the Chamber of Commerce and the Business Roundtable, and 130+ other organizations is critical in helping students and policymakers make informed choices, states understand what is happening to their students and investments, accreditors better understand institutional performance, and reducing institutional reporting burden.

While other proposals have been floated to address the lack of transparency in higher education, they fall short in significant ways. Proposals to use Bureau of Labor Statistics (BLS) average earnings for particular occupations would mask the variation in actual programs students attend—and pay for. Students are not paying for average programs—they are paying for (and taking out debt to pay

⁶⁵ Stephanie R. Cellini, Rajeev Darolia, and Lesley J. Turner, *Where Do Students Go When For-Profit Colleges Lose Federal Aid?* (Cambridge, MA: National Bureau of Economic Research, December 2016), <https://www.nber.org/papers/w22967.pdf>.

for) particular programs at particular institutions. Research from our team illustrates how misleading substituting BLS data for actual program earnings can be.⁶⁶ For instance, we found that in comparing the typical BLS earnings nationally with the typical earnings for graduates in gainful employment programs, BLS earnings exceeded GE earnings by an average of nearly \$23,000; more than 96 percent of programs analyzed had lower earnings when their actual graduates were measured than when national averages were used. The results were similar in looking at regional BLS data. Proposals by for-profit college leaders and lobbyists to use BLS earnings rather than graduates' actual earnings have one goal in mind: to obscure reality from prospective students.

Still, other proposals would limit which students “count” to those who receive financial aid under Title IV of the Higher Education Act. But all students deserve accurate, representative information, regardless of whether they receive this type of aid. All students benefit from federal dollars that go to Title-IV eligible institutions and many students benefit from other federal investments in higher education, including the American Opportunity Tax Credit and other tax benefits for higher education under the Treasury Department (which already collects data from institutions on all tuition-paying students), GI Bill benefits, and/or the DoD Tuition Assistance Program. With incomplete information, claims about institutional performance are incomplete—sometimes dramatically so. Consider, for instance, the two million students enrolled in California’s 100-plus community colleges; because of their state’s commitment to keeping down the direct costs of higher education, only 18 percent of those who started in 2016 received a Pell Grant, and just 1.5 percent took out a federal loan.⁶⁷ This means that at best, four out of five students in the nation’s largest community-college system would not be represented under a Title IV-only system, distorting the outcomes of the school and continuing to leave students in the dark.

Moreover, it is critical that Congress approach the HEA reauthorization with a goal of reducing equity gaps, as Chairman Alexander said in a recent HELP Committee hearing on HEA reauthorization. Omitting non-Title IV students would leave policymakers with a significant blind spot in understanding the current state of equity in higher education, and would limit our ability to provide students with the information they have a right to know so they can make informed decisions.⁶⁸

As Congress looks to reauthorize the Higher Education Act, it must, in the words of recent HELP Committee witness, Dallas Community College Chancellor Joe May, count all students. The College Transparency Act—bipartisan legislation already introduced in both the House and Senate—would ensure students have access to information they have the right to know.

Require and standardize financial aid offer letters.

In June 2018, New America, in partnership with uAspire, a national college access and success nonprofit focused on college affordability, published a report that analyzed thousands of financial aid award letters. We have found these letters to be confusing, misleading, or in some cases, downright deceptive. More than one-third of the letters in our sample excluded cost information on

⁶⁶ Ben Barrett and Sophie Tran Nguyen, *Measuring Up: How BLS Data Would Inflate Earnings for Career Training Graduates* (Washington, DC: New America, February, 2018), <https://na-production.s3.amazonaws.com/documents/Measuring-Up.pdf>.

⁶⁷ Amanda Janice Roberson, “Why Incomplete Data Leaves Us With Incomplete Student Outcomes,” *PostSec Data: Data at Work*, December 1, 2017, <http://www.ihep.org/postsecdata/data-at-work/why-incomplete-data-leaves-us-incomplete-student-outcomes>.

⁶⁸ Ibid.

the page listing financial aid awards; many failed to calculate the total costs students would owe; and terminology is often poorly explained and difficult to compare. Congress should pass legislation like the Understanding the True Cost of College act introduced by Senators Grassley and Smith, which requires the Education Department create a standard letter that is consumer-tested and limits the ability of colleges to present misleading information, and which would be required at all federal financial aid-participating institutions.

Related New America Work:

Stephen Burd, Rachel Fishman, Laura Keane, Julie Habbert, Ben Barrett, Kim Dancy, Sophie Nguyen, Brendan Williams, *Decoding the Cost of College: The Case for Transparent Financial Aid Award Letters* (Washington, DC: New America and uAspire, June 2018), <https://www.newamerica.org/education-policy/policy-papers/decoding-cost-college>

Ben Barrett and Sophie Tran Nguyen, *Measuring Up: How BLS Data Would Inflate Earnings for Career Training Graduates* (Washington, DC: New America, February 2018), <https://na-production.s3.amazonaws.com/documents/Measuring-Up.pdf>