



WASFAA

Western Association of Student Financial Aid Administrators

September 15, 2015

Re: Negotiated Rulemaking Hearing – September 2015

Subject: Suggested additional topics for action by the negotiated rulemaking committee

The Western Association of Student Financial Aid Administrators (WASFAA) represents over 600 financial aid professionals in Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington and the Pacific Islands. Our mission includes advancing access and choice to higher education through the administration of student financial assistance programs.

To advance this mission we would like to suggest these additional topics or issues for action by the negotiated rulemaking committee that will convene in January 2016. The first three are regarding issues with the Cohort Default Rate calculation.

#1 – Defaulted loans paid-in-full without going through the loan rehabilitation process should not be treated as defaulted for purpose of the Cohort Default Rate (CDR) calculation.

- The Department has stated that it supports keeping defaulted loans that have been paid-in-full, without the loan rehabilitation process, to remain in the school's CDR because otherwise, some schools would be incentivized to pay off defaulted loans in order to lower their CDR. We do not believe this would be the case since there are already prohibitions against institutions making loan payments for students. This should be sufficient protection to address the Department's concerns.
- For a borrower with a relatively low loan balance, or one who has the resources to pay the loan in full, having to go through the rehabilitation process is punitive in that he/she will have to go through a lengthy process that will cause him/her to incur additional interest and fees in order to have essentially the same result, a loan paid-in-full.
- The borrower should not have loan rehabilitation as the only option to obtain a clean credit history. Paying off the loan in full should also provide a more timely option to obtaining a clean credit history.
- The rehabilitation completed date should be the date the student made the final payment of the rehabilitation program, not a date that is much later - such as when the claim paid date for FFEL, or purchase/assignment to a servicer or ED for Direct loans. Utilizing the later date may cause loans rehabilitated toward the end of the cohort 3-year period, to remain in the numerator.

#2 – Borrowers who passed away prior to their loans entering default should not be treated as defaulted for purposes of the CDR calculation.

- The borrower who became deceased prior to their loans entering default should not be included in a CDR calculation just because the bereaved family has not provided the documentation or the servicer has not processed the discharge in a timely manner.
- Currently, if an institution discovers a deceased borrower during a review of their CDR and the loans were discharged due to death on a date that is earlier than the default date, the institution

must provide the death certificate to the data manager in order to remove the borrower from the CDR calculation. This process seems unnecessarily redundant when the Department has already discharged the loans due to death.

- Loan discharges due to death could be streamlined by matching the student loan records with the Social Security Administration's Master Death File. Multiple agencies such as hospitals and the police report death information to the Social Security Administration so the information should be prompt and accurate. A secondary confirmation can be made by schools through NSLDS reporting, where all borrower-related information could be found.

#3 – Institutions should be permitted to challenge instances of split servicing in the CDR challenge/adjustment/appeals processes if the defaulted borrower had at least one loan that was not in default listed in the loan records.

- The Department has addressed this issue for institutions subject to sanction, but will not do so for institutions not subject to sanction. This is an inconsistency that should be corrected.
- The borrower who has demonstrated a good-faith effort to keep his or her loans out of default with at least one servicer, should be given the benefit of the doubt that the borrower was not aware of the defaulted loan.
- We would encourage the efforts of the Department to correct instances of split servicing before default occurs.

#4 – Institutions should be allowed and encouraged to design and implement debt management and financial literacy campaigns in ways that are most effective for their student populations.

- Institutions are limited to mandate only entrance and exit counseling. We are held accountable when our students default on their student loans, yet have no realistic means to ensure that students truly understand the consequences of their borrowing or to encourage them to borrow less.
- Many low-cost institutions, serving the most vulnerable student populations, choose not to participate in the Direct Loan programs. This further serves to restrict and deny access to the very students we are trying to assist.
- The ever-changing federal student loan landscape makes it very likely that the entrance counseling session a student attended one or more years ago could be out-of-date. Schools need to be able to mandate additional counseling as needed in order to ensure students are aware of relevant updates and changes that could impact the repayment of their loans.

#5 – The Subsidized Usage Limit Applies (SULA) is a regulation that students, servicers, the financial aid community, and the Department should work on together to develop streamlined and simplified implementation processes.

- The implementation of SULA has been made extremely complex and burdensome and is difficult for aid administrators to explain to students and their families. Many students are unable to understand SULA and yet it carries significant consequences for those who fail to understand how SULA works.

#6 – Borrowers who have made qualifying payments for Public Student Loan Forgiveness (PSLF) and then consolidated their loans should have their pre-consolidation payments count toward the maximum repayment period of 10 years and 120 payments.

- The Department has stated that loan payments before loan consolidation cannot be counted because PSLF forgiveness is loan-specific and consolidation loans are considered separate from the underlying loans that were paid off.

- The financial aid community voiced the need for this change during the public comment portion of the rulemaking process on the REPAYE loan repayment proposal.

#7 – The Internal Revenue Service (IRS) should be asked to enforce its own tax return filing status regulations by asking filers for their marital status and whether or not the married couple lived together for more than 6 months during the tax year.

- With this data the IRS can follow-up with married taxpayers who appear to have filed incorrectly. Financial aid staff members only review a small subset of the population which is not large enough to provide any meaningful protection to the taxpayer and federal funds.
- Pre-screening of the tax return by the IRS, especially of individuals who both file as head of household and have the same address, would alleviate some of the frustration and barriers for students and families when trying to successfully navigate the financial aid process.

#8 – The current Return to Title IV (R2T4) laws and regulations need to be simplified because they are confusing and damaging to the very students financial aid is designed to help.

- ED should seek public input on ways to simplify the process of calculating R2T4. Currently 200 pages in the Federal Student Aid Handbook are required to describe and illustrate this process. With simplification R2T4 would cease to be the top finding in institutional audits and U.S. Department of Education program reviews.
- A subsequent negotiated rulemaking session devoted solely to R2T4 may be a way to begin a fair, simplified process for all financial aid recipients who completely withdraw from a program.

If you have questions or require additional information, please feel free to contact one of the WASFAA representatives listed below. We appreciate the opportunity to submit these views for institutions and students in the Western region.

Best Regards,

Barbara Bickett, DeVry (WASFAA President)
949/233-4218 or bbickett@devrygroup.com

Tami Sato, Marshall B. Ketchum University (WASFAA Federal Relations Co-Chair)
714/449-7447 or tsato@ketchum.edu

Beryl Schantz, CSU Sacramento (WASFAA Federal Relations Co-Chair)
916/278-5804 or beryl.schantz@csus.edu