



**WASFAA**  
Western Association of Student Financial Aid Administrators

The Western Association of Student Financial Aid Administrators (WASFAA), represents financial aid professionals in the states of Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington and the Pacific Islands. As a professional association committed to the effective delivery of federal student aid to needy and eligible students, we are requesting your consideration of the following student financial aid issues.

### **Protect Federal Pell Grant funding**

The Federal Pell Grant program should remain the foundational federal student aid program and the \$7.8 billion in surplus should go toward meeting the needs of low-income college students. We agree with more than 120 House members that the surplus should be used to lessen the burden of college costs for students in need through restoration of the year-round Federal Pell Grant and an increase in the maximum discretionary award. This could correct the problem of the maximum Federal Pell Grant covering less than 30 percent of college costs at public universities. It is imperative that the Federal Pell Grant surpluses are protected and not used as a funding vehicle for Congressional priorities outside of the Federal Pell Grant Program.

### **Simplify the FAFSA**

The National Association of Student Financial Aid Administrators (NASFAA) and the National College Access Network (NCAN) have developed and proposed a three-pathway FAFSA that would keep the neediest students from having to prove they are poor, and allow them to answer as few as 20 questions instead of 105.

- The first pathway would be for families who receive means-tested benefits. These families can skip all financial questions and automatically qualify for the maximum Federal Pell Grant award.
- The second pathway is for families who do not receive means-tested benefits but also do not file tax schedules with their taxes.
- The third pathway is for those who do file tax schedules with their taxes.

The three-pathway FAFSA would use current technology to offer a customized set of questions that would encourage our most vulnerable students to complete the form and apply for aid that would give them equal access to educational opportunities.

### **Reforms to better address student loan defaults**

Risk sharing, or having “skin in the game” - requiring schools pay back a portion of student loans they disbursed that later defaulted - would be like asking the college to co-sign each student loan it makes. The neediest students could be negatively affected by increases in tuition that the school imposes to cover the school’s additional costs (causing more loan borrowing) and by institutions limiting their risk by admitting fewer poor or minority students.

WASFAA believes there are two better ways to address student loan defaults that involve providing schools with more tools to reduce defaults and limit excessive borrowing to better serve their students:

- Allow schools to have some control over the borrowing behavior of their students. Although we presently can limit loans on a case-by-case basis, we should be able to limit borrowing for certain programs and certain enrollment statuses, such as limiting loan amounts for a major that has a low income potential, not allowing living expenses in the cost of attendance for students taking online courses, and establishing a prorated loan limit for less than full-time enrollment.
- Allow schools to mandate additional loan counseling beyond current entrance and exit counseling. Schools know their student populations and know which students would benefit from additional debt management and financial literacy counseling.

### **Reform student loan programs**

There is concern about the perceived “student debt crisis”, defined primarily by the much quoted \$1.3 trillion in student loan debt. We do not agree that there is a “student debt crisis”. Low interest loan debt allows students to reach their educational and employment goals, but a modification of the current structure of loan limits that would improve the operation of the loan programs should be part of the reauthorization of the Higher Education Act. For simplification, the Federal Direct Subsidized Loan limit should be one level amount rather than a different level depending on year in school. The annual and aggregate limits for Federal Direct Loans should be increased to more realistic levels. While there seems to be a perception that increased loan limits causes tuition increases, that perception is not supported by available data. It is likely that the main reason for tuition increases is the decreased support from state funding.

WASFAA also does not support the proposal to rein in federal student loans by eliminating all federal lending to graduate students and letting the private market take it over. A less drastic proposal is to have the Federal Direct Graduate PLUS Loans be funded and administered by private lenders. We do not understand the logic behind either proposal. Graduate loan terms have higher interest rates and fees and make up 40% of the loan portfolio with borrowers who complete their programs. Graduate borrowers also have a 50% lower default rates and have the predictive incomes that result in successful repayment. Without federal loan programs for graduate students, graduate education will be limited to those families who have credit-worthy co-signers. The loss of the Federal Direct Subsidized Loan has already discouraged low-income students from pursuing graduate education.

### **Verification improvement**

Verification is a burden to both students and schools that could be relieved by allowing the Central Processing System (CPS) to collect and verify additional information from the IRS and reduce the number of items that need to be checked by financial aid offices. Capturing additional information from the IRS Data Retrieval System in the FAFSA would make the process less complicated and reduce a barrier to access and retention. Use of Prior-Prior-Year (PPY) income (income from two years before the year the student is applying for financial aid) should allow automatic verification of a non-filer status. Simplifying the process and requiring less documentation makes it easier for students and reduces the administrative burden on schools, which frees up time to advise students and focus on their success.

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