



WASFAA

Western Association of Student Financial Aid Administrators

July 30, 2014

To: Libby Masiuk, Senior Education Policy Advisor at the U.S. Senate Committee on Health, Education, Labor and Pension Committee

From: WASFAA 2014/15 Federal Relations Committee

Subject: Smarter Borrowing Act, S.546

The Western Association of Student Financial Aid Administrators (WASFAA) represents over 600 financial aid professionals in the states of Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington and the Pacific Islands. The WASFAA Federal Relations Committee (FRC) appreciates and thanks you for taking the time to do a conference call with us earlier this spring. The discussion was helpful and ultimately can lead to benefits for the students we serve. WASFAA would like to provide you with some feedback on Senator Harkin's Bill, S. 546, which calls for changes in student loan counseling.

The concern with growing debt levels and increasing default rates continues as our country tries to stabilize economically. More students find the need to borrow as state support has decreased and the grant aid support has not significantly increased to cover all educational expenses. Borrowing to attain a higher education cannot be avoided for some students. Our responsibility as financial aid administrators is to ensure that students leaving our institutions have the tools and knowledge to attain successful repayment.

Senator Harkin's bill, the Smarter Borrowing Act (S.546) calls for additional requirements that many institutions already provide to their students. We provide each student with their rights and responsibilities which includes the fact that they must repay their loans even if the student is dissatisfied. In addition, information includes that repayment is required even if they do not complete the program or if they are unable to find employment. The TILA documents are required for all non-Title IV loans and include the statement about federal loans being more favorable and the right to cancel without penalty. Specifically it states: "Free or lower-cost title IV federal, state, or school student financial aid may be available in place of, or in addition to, a private education loan."

In addition, we would like to provide the following input or comments:

- The Smarter Borrowing Act requires institutions to provide information on their Cohort Default Rate (CDR) and compare the rate with the national CDR. It would be more representative and informative to make the comparison between the institution's CDR and the CDR of the specific institution's segment.

- There are three categories of requirements: 1) all schools; 2) schools with CDR at the national average and 3) schools with CDR above 30 percent. We feel that a higher level than the national average would be more appropriate for the second group and stressing the effectiveness of in person counseling for certain student groups. We feel a 20% CDR would allow support to prevent escalating default rates.
- Kudos to The Department of Education (ED) for greatly improving the functionality of the on-line entrance and exit counseling tools. The borrower can upload their personal loan history from NSLDS for use of the repayment plan comparison tools. It would be redundant for institutions to have to provide personalized information regarding estimates of borrower's expected repayment under each repayment plan.
- It would also seem redundant for institutions to have to inform their students of their remaining eligibility under the Pell LEU rule or remaining eligibility under the 150% Subsidized Direct Loan program length rule as this information is provided to each FAFSA filer in their Student Aid Report (SAR) .
- Institutions can provide borrowers with their student loan balance but borrowers should be encouraged to utilize the wealth of information included in their NSLDS record. Borrowers should also be encouraged to sign on to the website of their loan servicer for additional specific information. Especially helpful for borrowers is their ability to know which servicer is servicing their loans.
- The Smarter Borrowing Act calls for providing entrance counseling in an interactive way and a test for the borrowers understanding of the terms and conditions of their loans. The ED- provided on-line entrance and exit counseling provides this experience for the student and we have received positive feedback from students.

In summary, having well-informed student loan borrowers is needed and evident in the recent proposals made in the Reauthorization of the Higher Education Act bills. What we want to prevent is more redundant, repeated and confusing data for student borrowers. Some information proposed for institutions to provide would be better provided in the on-line tools FSA already has available for students such as the FACT tool.

WASFAA appreciates the continued interest and dedication of Senator Harkin and members of the HELP Committee to improve the opportunities for higher education and the assistance to students from all economic backgrounds.

If you have questions or additional information, please feel free to contact one of the WASFAA representatives listed below.

With best regards,

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