



WASFAA

Western Association of Student Financial Aid Administrators

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. 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 as you prepare to draft amendments for the Higher Education Act Reauthorization. We welcome this opportunity to participate in efforts to revise and enhance federal student financial aid programs.

Need Analysis Recommendations:

1. Use “Prior-Prior Year” as the base income for calculating financial need rather than the prior year income.

One of the major issues for families applying for financial aid has been the timing of the process. Although college admissions decisions are made in early Spring, many students don't have the information they need for the FAFSA until after they file their taxes in mid-April. This is more difficult for families that have filing extensions. Moving to Prior- Prior Year income would ensure that students could meet financial aid filing deadlines. A recent study by NASFAA supports this proposal and demonstrated that most dependent students and many independent students would benefit from this change without significant increases or decreases in financial aid eligibility.

2. Eliminate the Auto-Zero and Simplified Need Analysis calculations that exempt assets, except for recipients of TANF, SSI and General Relief benefits.

The auto-zero EFC calculation is triggered when the “dislocated worker” box is checked. The simplified need analysis is based on filing a 1040 A or 1040 EZ federal income tax form. When these items are incorrectly checked, the error may not be discovered if the student is not selected for verification, resulting in an over-award. We believe that it is more equitable to treat income and assets the same way for all students and families and to manage income changes through the professional judgment process. However, we realize that for some families with very restricted resources, these questions may make the process overly complicated. Therefore, we propose that the use of automatic calculations of a zero EFC be restricted to families receiving TANF, SSI or General Relief benefits. These families have already been determined to be very low income by a governmental agency and are the families for whom the process should be simplified.

3. Clarify institutional authority to adjust COA for students enrolled less than full-time

Although the Cost of Attendance is determined by the institution, the Secretary has not allowed schools to adjust the costs based on enrollment status. Schools would like the option to adjust the Cost of Attendance elements for students who are enrolled less than full-time. We believe this will help curtail unnecessary borrowing on the part of some students.

4. Eliminate homelessness as a criteria for determining a student to be independent and defer these cases to the Professional Judgment of the Financial Aid Office.

Students are often confused by the homeless questions, particularly the explanation of “at risk of being homeless”. Returning this provision to professional judgment determinations gives the institution the information needed to evaluate the student’s circumstances and refer truly homeless students to additional counseling and support services the college may offer to assist the student to successfully complete his or her program.

5. Expand the use of technology to integrate FAFSA and state applications so that state applications are accessible from the FAFSA website.

Much of the criticism of the financial aid application process focuses on its complexity. This recommendation calls for linking state application processes with the FAFSA system to provide a single application process, even if there are separate federal and state forms. Since the student would be led to apply for state financial aid at the same time he or she completes the FAFSA, more students would take advantage of state financial aid programs

6. Define “other dependents” in the student’s household size as children who meet dependency criteria and others who are claimed as IRS exemptions on the student or parent’s federal income tax return.

Persons who live with and for whom the student or parent provide over 50% of living expenses are included in the household under current law. We support changing this because there is currently no standard for determining the appropriate level of living expense that should be contributed to make the person a dependent who receives 50% of living expenses. The calculation of half of a person’s living expenses will vary with the level of the person’s life style. There is no equitable or objective standard in the current system.

In addition, a student who meets the criteria to be independent but lives with his parents and is listed as a dependent of the parents on a sibling’s FAFSA form can simultaneously file as an independent student on his own FAFSA form. The student reports his parents don’t support him on one FAFSA and they say they do on another. We feel that this inconsistency and the uncertainty of determining what qualifies as 50% of living expenses justify a narrower definition of “other dependents”. We recommend that the HEA definition of dependent be aligned with the IRS definition of dependent. This would provide more clarity to families completing the FAFSA and a way for colleges to verify the information.

7. Reflect the regional cost of living in Income Protection Allowance

The cost of living varies greatly across the country. An income that provides a comfortable living in Nebraska may be at a subsistence level in California or New York. However, only the state tax deduction in the Income Protection Allowance recognizes regional costs. We believe that some adjustment for regional costs of living will bring more fairness to the system.

8. Eliminate the asset exemptions for family farms and small businesses with fewer than 100 employees

Many families have the ability to write off expenses for small businesses or farms and lower their adjusted gross income. In some cases, those are multi-million dollar enterprises. By discounting the income and not assessing the asset value of the business or farm, the current system allows wealthy families to be eligible for federal student aid, including Pell Grants.

9. Expand the FAFSA IRS data retrieval to include all elements common to both forms

The transfer of AGI and taxes paid from the IRS tax return to the student's FAFSA has been very successful. We strongly encourage this be expanded to include all FAFSA data elements found on the tax return, such as, type of return filed, excluded IRA deductions, interest and dividends and business expenses.

10. Eliminate foreign income exclusion from AGI

This is actual income used to offset living or other normal expenses and should be included in the calculation as income.

DIRECT LOANS

1. Remove 150% program limit for Subsidized Loans

This provision is very confusing for both students and institutions, particularly when students change their program or educational goal. This is proving to be one of the most costly and burdensome regulations colleges have ever implemented. In many institutions, students may be enrolled in more than one program or change their program several times, making tracking their subsidized loan eligibility very difficult. More important, it is punitive to students who previously borrowed Subsidized Loans and are returning to school to retrain for new careers by denying them access to additional subsidized loans. We do not believe that the cost savings justifies the confusion and penalties that students and institutions will incur.

2. Eliminate Direct Loan fees to students

The origination fees were put in place decades ago and were not intended to be permanent. Direct Loan costs include federal government expenses in obtaining loan funds and servicing loans. These fees are no longer necessary and create an expense for students over and above the interest charged on the loan and constitute a profit to the federal government at the expense of needy college students.

3. Provide schools with the authority to reduce annual loan limits

There is wide-spread concern over the level of student debt and its long-term impact on our national economy. Institutions, particularly community colleges, believe that this provision would provide them with the tools to better prevent students from over-borrowing and accruing unnecessary debt. Currently, some colleges are implementing this authority under the Department of Education's Experimental Sites Initiatives. We encourage Congress and the Secretary to carefully review the data from this project and make appropriate legislative and regulatory changes to allow low-cost colleges to determine maximum borrowing limits that are appropriate for their student population.

4. Eliminate pro-ration formula for one-semester loans

The pro-ration formula is based on the total length of the program and does not reflect the costs the student may have for the semester. The formula is confusing for both institutions and students. The amount the student may borrow should be based on the costs of one semester, not the program length.

5. Uncouple Grad PLUS and Parent PLUS and develop separate regulations for each program

When graduate students were included in the PLUS program, they became subject to many of the same provisions of parents under the existing program, such as credit check provisions, which is not required for the other student loan programs. Combining Grad PLUS and the Parent PLUS program into one program does not recognize that the financial situation of a student is usually very different from that of a parent or that the student is the primary beneficiary of PLUS funds, whereas the parent is borrowing on behalf of a student. We are requesting separate legislation and regulations for the Parents PLUS and Grad PLUS to reflect the intended purposes of the two programs.

Pell Grant

1. Make Pell a true entitlement program

Since its inception, the Pell Grant program has been treated as if it were an entitlement program. Only once in its history were awards reduced due to lack of funding, and even that year all eligible students were funded. The Pell Grant program is the most important access program for higher education and should be considered an investment rather than an expense by converting it to entitlement funding. Students should be confident that the federal government will continue to support their higher education.

2. Eliminate institutional Pell Grant ineligibility from loan default sanctions

Under current law, institutions that are subject to sanctions for high Direct Loan default rates may lose eligibility for both federal student loans and the Pell Grant program. This is the case even for schools that have very few borrowers compared to the number of Pell Grant recipients. As a result, many vocational and community colleges have withdrawn from the loan programs

as a strategy to protect their participation in the Pell Grant program, even though they are eliminating a federal financial aid source for other students. We do not feel that there is a sound rationale for including loss of Pell Grant eligibility as a penalty for a high cohort default rate and request that Pell Grants be decoupled from the loan program sanctions.

3. Allow PJ to extend Pell beyond 6 years and allow additional years for ESL

Although the six year limit on Pell grant eligibility is sufficient for many students, it is unfair to immigrant students who need ESL preparation and Pell Grant assistance before they can begin their college program. These students then have less remaining Pell Grant eligibility to complete their program courses than students who are native English speakers and did not need the additional ESL classes. In addition, students who return to college for retraining may not have sufficient Pell eligibility to complete a new program. We believe that allowing additional Pell Grant for students in ESL classes or, under Professional Judgment, re-entry students meets the intent of the Pell Grant program.

4. Reinstate Year-Round Pell without acceleration requirement

We feel that students should be encouraged to accelerate their program completion by receiving Pell Grants for attending classes in summer. The language in the prior HEA provision made funding additional terms extremely complex. A simpler application of the “year-round Pell” provision would assist students and help accomplish the goal of increasing the number of students who graduate.

Campus-Based Programs

1. Change campus-based formula to eliminate priority given to conditional guarantee schools

Funding the conditional guarantee before funding the fair-share formula for campus-based funds has protected the funding that certain institutions have traditionally received and prevented these funds from being targeted to low-income students. We believe that the conditional guarantee provision should be phased out and the funding based predominately on the number of low income students enrolled.

2. Allow up to 100% transfer of funds between the campus-based programs

Institutions should be allowed to determine how to best serve their students with Federal Work-Study, SEOG or Perkins dollars. This provision is budget neutral, but would allow more flexibility in how the funds are administered.

3. If the Perkins Loan program is cancelled, offset FCC in the amount schools are required to return by cancellations and protect institutional contribution

4. Include campus child care facilities for students in community service definition.

Under current regulations, the law has been interpreted to require that at least one member of the public community participate in the child care facility for it to be determined eligible for community service FWS funding. We believe that students who live in the community, not on campus, and have children at a campus child care facility are, indeed, members of the community and their participation in the institution's child care center should qualify it as an FWS community service site.

5. Eliminate SEOG ranking but restrict SEOG eligibility to Pell eligible students

Current law requires that SEOG funds be awarded in the order of students with lowest EFC first. While we agree that Pell-eligible students should have priority for SEOG funds, we believe that institutions should have more flexibility to award funds within that group so that grant funds can be more evenly distributed among all needy students and be available for students with special needs. .

General Provisions

1. Require ED to provide the final report from a Program Review within 60 days of institutional response

Many institutions and their students have been forced to wait for long periods of time not knowing if the institution's eligibility for federal student aid funding will be continued, This is a hardship for both the school and the students.

2. Allow \$500 over-award tolerance for loan and campus-based programs

Currently, there is an over-award provision for the campus-based programs, but not for federal student loans. In many cases, students may be awarded funds from both types of programs, creating conflicting funding regulations. We are requesting that the law be changed to provide consistency across all Title IV programs.

3. Reinstate the Ability to Benefit (ATB) provisions for students who do not have a high school diploma but have completed 6 college units with grade of C or higher

The original intention of "ability to benefit" provisions was to provide opportunities for students who did not graduate from high school but were able to do college level work. The elimination of the ATB options was particularly harmful to older students who were unemployed and returning to school to retrain for better jobs, women who had left high school as teenage mothers and immigrants who had not completed high school in their native country. We believe that demonstrating the ability to succeed in college by passing 6 units of college courses is a reasonable alternative to requiring these students to return to high school or pass a GED exam.

4. Eliminate Selective Service registration as an eligibility requirement.

Selective Service registration for males at age 18 is a national requirement. It is discriminatory to single out needy students for implementation of this law, particularly since Selective Service itself has no logical relationship to higher education.

5. Eliminate the provision disqualifying students who have a drug conviction

Recent state laws legalizing certain drugs make this provision very confusing, particularly for students applying to colleges in different states. The provision only applies to convicted offenders who have already been penalized by the courts. In addition, prohibiting assistance to former offenders makes it more difficult for them to rehabilitate and move on to a productive career.

6. Standardize rules defining when a student regains eligibility

Because of the language in the HEA, students who regain eligibility for Title IV programs are eligible for the full year if they are receiving federal student loans, but only for the semester if they are receiving Pell Grants or campus-based funds. This is due to the different HEA definitions of “payment period”. These terms should be standardized across all Title IV programs.

7. Allow FAFSA INS match in place of I-9 forms

Since the FAFSA data is verified by being matched directly with the DHS database, it should not be necessary to require a student to complete additional immigration forms at the institution.

8. Allow Title IV funds to pay all institutional charges with student opt-out provision

Currently, institutions must gain student permission to apply federal aid to some charges. Since the primary purpose of the programs is to meet direct educational expenses, we think that payment of charges should be automatic unless the student requests otherwise. Institutions would be required to notify students of this option.

Consumer Information

1. Study effectiveness of current provisions and eliminate unnecessary requirements

We request that Congress mandate a high level assessment of the current consumer requirements. Are the 62 different types of consumer information required to be posted on college websites too much, of value to both undergraduate and graduates students, or accessed at the appropriate times? Does the mass of information benefit or just further confuse students and families? Present and new consumer disclosures should be validated through focus groups. Before new disclosure requirements are imposed, Congress should require the Government Accountability Office (GAO) to ensure the new disclosure does not duplicate or contradict existing disclosures.

2. Eliminate Constitution Day, Voters Registration and Athletic Disclosures from Title IV eligibility

Elimination of requirements that are not germane to the primary purpose of the HEA has been recommended in past reauthorizations. The time to remove these unnecessary requirements is now so that students can be provided a less confusing process and institutions can use staffing resources for more counseling directly to students.

3. Eliminate requirement to provide information about state grant programs to loan borrowers

In the Program Participation Agreement (PPA) institutions must agree to provide borrowers with information about state grant assistance not only for the state in which the school is located but from other states their students are from. This information can be more efficiently accessed at the Ed.gov website and would end a redundancy of information.

R2T4

1. Restrict law and regulation to undergraduates. Leave treatment of graduate students to the institution.

Graduate students receive no Pell or subsidized loans. Institutional investment in graduate students is generally much higher, and selection for admission more rigorous. Institutions should be able to define their own criteria for returning Graduate level funds.

2. The law should lay out the basic requirements and parameters of an R2T4 policy, which schools must fill in but have some discretion over. The law should clearly identify those areas over which the institution has sole discretion

While the basic concept underlying the return of Title IV funds (R2T4) is quite straightforward, the details have grown so complicated that it has become very burdensome to explain to students and to administer. Even the Department needs over 200 pages in the Handbook to describe and illustrate this process. Errors are virtually inevitable in so complex a set of rules. Further, given the wide range of program formats, individual student circumstances, and other factors, it is very difficult to address all scenarios that arise logically under a “one size fits all,” highly regulated approach.

3. Amend the order of return language. Make the order of return subject to regulation, but specify and to repay least advantageous loans first.

The current order of returning funds is not the most advantageous for borrowers. The order should be adjusted to: PLUS/Grad PLUS, then Unsubsidized loans, then Perkins loans, then Subsidized loans, then TEACH Grant, before any other grant funds.

4. Require attendance taking only if daily attendance required by accreditors during whole year

5. Continue to require that schools have an accessible, publicized withdrawal procedure that recognizes the student's withdrawal date as the date the student initiates that procedure. (The school continues to define what constitutes the beginning of the withdrawal process.)

6. For students who do not follow the school's withdrawal procedure, allow the school (if not required to take attendance) to set the withdrawal date under its own defined policies.

This would also allow the institution complete discretion to set the withdrawal date if the student could not follow official procedures because of illness, etc.

7. Restore authority for post- withdrawal disbursements to be at the discretion of financial aid administrators based on publicized institutional policy. Retain the rule that the school should ask the student first if a loan disbursement should be made, and extend that to Pell as well.

Rather than on a case- by- case basis, school should be able to set parameters in which a student can accept post-withdrawal disbursements.

8. Modify the assumption that Title IV aid is applied to institutional charges first.

This would allow aid that is specified for a particular cost of attendance (e.g., tuition) and that will not need to be returned under the source's rules to be deducted from institutional charges when determining the amount of unearned aid that must be returned by the institution.

9. Allow more time for schools to process R2T4 by increasing the return calculation deadline from 45 days to 60 days.

HRSA Programs

1. Include Health Resources and Services Administration (HRSA) loan programs in the National Student Loan Data System (NSLDS)

Currently the NSLDS system only provides loan information from Title IV programs. Health professions students must contact multiple federal agencies or previous schools to access loan history or information for their HPSL, LDS and NSL loans. For institutions to ascertain the borrower's full loan portfolio including Title VII and VIII programs, a Financial Aid Transcript (FAT) form must be utilized. The FAT form for Title IV programs was eliminated in 1995.

2. Exempt HRSA federal student loan programs from the Truth-in-Lending (TILA) requirements.

The TILA requirements were designated for private student loans. TILA defines federal loans as all "loans made, insured, or guaranteed pursuant to a program authorized by Title IV of the HEA", thus defining all other federal loans as private. This recommendation is supported by the Consumer Financial Protection Bureau (CFPB).

Thank you for the opportunity to provide these comments and recommendations. We look forward to a productive process to Reauthorization of the Higher Education Act. Please contact the WASFAA representatives listed below if you have questions or need for clarification.

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