

**The FED.UP Initiative**  
**Response from the Western Association of Student**  
**Financial Aid Administrators**

Presented to the Subcommittee on 21<sup>st</sup> Century Competitiveness  
July 18, 2001

The Western Association of Student Financial Aid Administrators (WASFAA) is a professional organization of individuals from Alaska, Arizona, California, Idaho, Nevada, Oregon, the Pacific Islands, and Washington. Since 1969 WASFAA has existed to advance access and choice to higher education through the administration of student financial assistance programs. Toward this mission WASFAA would like to respond to Representative McKeon and Mink on suggestions of ways to streamline the regulations. This document has been compiled using documents from NASFAA, the American Council of Education and the University of California's response and input from the WASFAA Federal Issues Committee.

**Reference: HEA Sec. 484B; 34 CFR Sec. 668.22 – Return of Title IV Funds**

Congress intended to simplify and clarify the Return of Title IV funds provisions in the HEA of 1998; however, the Education Department's interpretations have made some aspects of this issue much more complicated for institutions instead of simpler. The following will make the current statute less harsh on many high-risk, low-income students and less complicated for financial aid administrators to follow.

**Problem: 50% Grant Protection**

Current regulations treat the neediest students unfairly by demanding that a large sum of grant money be returned even if the funds have already been spent. The student should not have to return more than 50% of total grant funds received. The protected amount should be subtracted at the conclusion of the formal calculation from the amount the student is expected to repay.

**Recommendation:**

Congress should change the 50% Grant Protection calculation to reduce the base grant amount upon which the student portion is calculated. This will result in a lower amount of grant to be repaid by the student.

**Problem: Date of Withdrawal**

ED has become overly prescriptive in the regulations regarding the date of withdrawal for institutions that do not take attendance for purposes of the return of Title IV Funds regulations. HEA 484B(c)(1) states that "the 'day the student withdrew' is the date that the institution determines".

**Recommendation:**

ED should be prohibited from issuing regulations regarding the date of withdrawal.

**Problem: *De Minimus* Repayment Amounts**

Regulations should not require a return of aid policy that not only protects the federal fiscal interest but also the significant administrative costs of institutions. There should be a minimum amount below which either students nor schools should be required to return calculated repayment amounts.

**Recommendation:**

A statutory change should be made adopting *de minimus* amounts of \$100 in the instance of a student and \$100 in the instance of the institution.

**Problem: NSLDS Provision**

The National Student Loan Data System (NSLDS) clearinghouse is not fully operational and overpayment of awards may not be able to handle this information.

**Recommendation:**

ED should not issue guidance on tracking potential overpayment of awards until the NSLDS is fully operational.

**Problem: Leave of Absence**

The current ED regulations governing leaves of absence are detailed, prescriptive, and override institutional policies.

**Recommendation:**

Institutions should be given the discretion to treat leaves of absence in accordance with their own policies.

**Reference: HEA 428G (a) (3) and (b) (1)**

There are two current provisions in the HEA that have helped reduce the regulatory burden for institutions and less serious financial pressure for students. The first provision allows schools with cohort default rates below 10 percent to disburse a loan in a single installment for any period of enrollment that is not more than one semester, one trimester, one quarter, or four months. The second lets schools with low cohort default rates waive the requirement that loan proceeds of a first-year, first-time borrower loan be withheld for thirty days.

**Problem: Single Disbursements/ 30 day Hold**

These two provisions will sunset on September 30, 2002.

**Recommendation:**

Both provisions should be reauthorized and consideration should be made to extending these provisions indefinitely.

**Reference: HEA (f); 34CFR Sec. 668.46**

The regulations for Federal campus crime reporting requirements have been rewritten four times since 1990.

**Problem: Campus Crime Report**

There is complexity in the statutory language, requirements, and reporting formats. The excessively complex reports are confusing and not helpful to students. The detailed reporting requirements imposes significant financial costs on institutions and yields data that is often too difficult for students and the campus community to interpret in a meaningful way.

**Recommendation:**

Statute and its regulations should be rewritten with an emphasis on clear, unambiguous requirements and simplified reporting mechanisms.

**Reference: HEA 484(n) and @; 34 CFR Sec. 668.40 and 668.37**

The present federal aid application system has appropriate screening and match mechanisms to determine eligibility for federal aid based on previous loan default, grant repayment issues and citizenship status. In recent years, we have seen the federal aid application system add other screening mechanisms designed to affect domestic social policy and deny access to federal aid programs to other groups of students.

**Problem: Non-germane Student Eligibility Requirements**

Requesting information about an applicant's Selective Service status or information on drug convictions does not fit with the goal of Federal student financial aid, which is to assist low and middle-income students gain access to college. Statistics have shown that in both the Selective Service status and drug conviction screening and matches the identification of ineligible students have been few. This low number of people who have been affected illustrates that the questions could be eliminated without significant impact.

**Recommendation:**

Non-germane eligibility requirements, such as those related to drug convictions and Selective Service registration, should be eliminated from the FAFSA and respective regulations.

**Reference: Section 443 (b) (2) (B)**

The Federal Work Study program has been very beneficial to provide funds that students can earn and do not have to be repaid. Currently, campuses are required to use a percentage of Federal Work Study funds for community service activities and include a program where students participate in a reading tutoring project or a family literacy project.

**Problem: Community Service Activities**

Some schools in place or have voluntarily undertaken substantial community service activities on their own initiative. These schools are unfairly penalized because they are unable to meet the

federal mandate because community service slots are not available for FWS eligible student workers.

**Recommendation:**

Permit the Secretary to waive the FWS community service requirement when the school has already demonstrated substantial commitment in this area.

**Problem: Reading Program**

The requirement that schools participating in the Federal Work Study program have FWS students participate in either a reading tutoring project or a family literacy project has added another layer to this program and excessively complicated the administration process. Social linkages attached to this program are already burdensome.

**Recommendation:**

Remove the requirement that eligibility for Federal Work Study funds is based on the school participating in a reading tutoring project or family literacy project.

**Reference: HEA 497; 34 CFR Sec. 668.14**

The Program Participation Agreements (PPA) provides active participation in the Federal aid programs for a maximum of five years.

**Problem:**

The PPA process is time-consuming. The process must be repeated for changes in the ownership, address, name or the addition of locations, branches or extensions. If no changes have been made it is an unnecessary burden on institutions to repeat the PPA process every five years.

**Recommendation:**

Program Participation Agreements with institutions should be amended to provide active participation in federal aid programs for 10 years or longer.

**Reference: 34 CFR Sec. 674.31 and 674.33**

The Perkins Loan program has been a valuable program offering a low interest rate to student borrowers. During the 40 years that it has been available this program has been amended repeatedly by Congress. It is overly complex in the many deferments and cancellation benefits that affect only a few borrowers. This program is in great need for streamlining and operational revision.

**Problem: Rehabilitation**

Current statute states that a borrower must make 12 consecutive on-time payments in order to rehabilitate the loan and receive a clean credit report. It is presently not possible to make fewer than 12 installments to rehabilitate. Students who have the ability to pay a larger amount should be allowed this incentive to get into a good repayment status.

**Recommendation:**

Expand the rehabilitation of Perkins borrowers, allowing defaulted borrowers an opportunity to clear a defaulted loan by paying off the entire balance of the loan.

**Problem: Write Off Amount**

It is not worth the financial and time burden to require that schools hold Perkins loans over \$4.99 and less than \$25 indefinitely. The present requirement is that the minimum loan amount for a loan to be assigned to the department is \$25. (Reference: 34 CFR 674.47 (h))

**Recommendation:**

Set the *de minimus* amount for a Perkins write-off at \$24.99, not the current \$5.

**Reference: HEA Sec. 472 (1) and (2)**

Currently a computer allowance is allowed in needs analysis.

**Problem: Inclusion Prior to Enrollment**

It is not clear whether the allowable rental or purchase of a computer may occur before the start of an award year. This is sometimes necessary during the Summer in anticipation of a Fall college enrollment.

**Recommendation:**

Clarify that there is no prohibition of including in the student budget the cost of rental or purchase of a computer before the first day of class for use during enrollment.

WASFAA welcomes the opportunity the House Subcommittee on 21<sup>st</sup> Century Competitiveness has provided in alleviating the increasingly difficult challenge of regulatory compliance. We hope that the Federal government will observe when complex and costly requirements are not clearly justified by the benefits produced. We appreciate your efforts to hear input from the administrators and campuses that daily confront these regulations and try to apply them to our diverse student populations.

Respectfully Submitted,

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