



1307 New York Avenue, NW • Fifth Floor • Washington, DC 20005-4701
202.293.7070 • fax 202.296.5819 • aascu.org

April 13, 2007

The Honorable George Miller
Chairman
Education and Labor Committee
U. S. House of Representatives
Washington, DC 20510

The Honorable Howard “Buck” McKeon
Ranking Member
Education and Labor Committee
U. S. House of Representatives
Washington, DC 20510

The Honorable Ruben Hinojosa
Chairman
Subcommittee on Higher Education
Lifelong Learning and Competitiveness
U. S. House of Representatives
Washington, DC 20510

The Honorable Ric Keller
Ranking Member
Subcommittee on Higher Education
Lifelong Learning and Competitiveness
U. S. House of Representatives
Washington, DC 20510

Dear Chairman Miller, Ranking Member McKeon, Chairman Hinojosa and Ranking Member Keller:

The American Association of State Colleges and Universities (AASCU) is appreciative of the opportunity to provide our views on the reauthorization of the Higher Education Act (HEA) in response to your letter dated March 8, 2007. AASCU represents more than 430 public colleges, universities and systems of higher education throughout the United States and its territories. AASCU schools enroll more than three million students or 55 percent of the enrollment at all public four-year institutions.

AASCU joins with other higher education associations in supporting the recommendations included in the letter coordinated by the American Council on Education (ACE) dated April 13, 2007. More specifically, AASCU strongly supports in detail key policy priorities that have been adopted by the presidents and chancellors of more than 430 AASCU institutions and systems. Our emphasis on issues and recommendations are described in this letter.

Grants

AASCU continues to advocate for significant increases in the Pell Grant maximum award as the most effective way to ensure access to a college education for the nation's lowest income students. AASCU supports authorization levels as proposed in the College Opportunity for All Act (H.R. 2960), introduced in the 109th Congress by Chairman Miller and supported by 39 co-sponsors. In the bill the Pell Grant maximum award was authorized to increase over a five-year period to \$11,600.

AASCU supports increases in the purchasing power of the average Pell award; specifically, to achieve at least a Pell award that is 70 percent of the average in-state tuition at public four-year institutions over a period of

five years. Average in-state tuition at a public four-year institution this academic year is approximately \$5800. The current Pell grant average is \$2,671 (46 percent of the average in-state tuition at public four-year institutions).

AASCU also supports grants to needy students made under the other Title IV grant, work, and loan programs, including campus-based aid and LEAP, and we will work hard with our colleagues in other associations to realize increased appropriations in all these programs.

AASCU is sponsoring a foundation grant project to explore more efficient ways for the federal statute to target federal grant dollars, including Pell, SEOG, and LEAP, more efficiently to low-income students, specifically Pell Grant recipients. NCES data indicate that fewer than half of Pell Grant recipients receive a state grant. AASCU will make the results of this project available to Congress as soon as it is completed.

AASCU supports recommendations of the Advisory Committee on Student Financial Assistance and proposals of several members to simplify the application process, particularly for low-income students. We believe that making as many very low-income students as possible automatically eligible for financial aid will encourage these potential students to understand that a postsecondary education can be a reality for them.

Loans--Counseling

Unfortunately, even very low-income students will often have to make use of federal loan programs to finance their postsecondary education, particularly if they live away from home. AASCU's proposals for increased counseling of prospective borrowers and borrowers entering repayment are included in the ACE community letter, but we repeat them here because of the high importance that AASCU ascribes to this issue:

- Web-based information from the U. S. Department of Education that institutions can make available on prospective regional starting salaries in various careers,
- Debt payments at various debt levels,
- Repayment provisions including income-sensitive and income-contingent repayment, the impact of capitalization of interest on forbearance and unsubsidized loans.
- Institutions should be asked to inform prospective borrowers about the average indebtedness of borrowers at that institution, and the amount of annual and aggregate debt needed to complete the student's academic program.
- Congress should require lenders, before loan disbursement and before repayment begins, to disclose to borrowers an explanation of repayment options, including both income-sensitive and income-contingent, and the consequences of consolidation.

We have attached suggested legislative language on several of these issues.

AASCU strongly recommends that the federal government make prominently available to prospective borrowers the government's extraordinary powers to collect student loans, far beyond those of most unsecured creditors. It should be expressly understood by students that even in bankruptcy most student loans must be repaid; unlike any other type of debt, there is no statute of limitation.

We propose that a holder of a loan contact a borrower each year after five years has passed from the date that a borrower entered, graduated, extended, income-sensitive or income contingent repayment to ascertain if the borrower finds that his or her financial circumstances have improved, and if he or she wishes to select a shorter repayment period that would reduce the total interest paid on the borrower's loan.

Loans – Income-contingent repayment

AASCU advocates that FFELP borrowers unable to make payments covering at least interest be given the option to repay on an income-contingent basis either in a revised FFELP, or in the Direct Loan Consolidation

program, and not just be automatically put in forbearance. We also support Congressional exploration of other proposals for caps on the amount of income required of borrowers in repayment. When workable plans are available, AASCU welcomes them, but in the meantime, we believe that Congress should require that the U. S. Department of Education and its agents make available to borrowers complete information on repayment options if and when borrowers experience difficulty in repayment.

Loans – Reduce need for FFELP Consolidation

We advocate that the extended repayment available to DL borrowers prior to the 2005 Reconciliation Act be extended to FFELP borrowers and reinstated for DL borrowers. As did the Administration, we propose the same extended repayment options be available in the Stafford programs that are presently available in FFELP Consolidation, so that FFELP and DL borrowers do not have to consolidate to get extended repayment. We believe that the FFELP Consolidation market-share-driven program has created excessively confusing advertising that is unfair to borrowers, and that the terms of Stafford loans should be as advantageous as those in FFELP Consolidation. Over time, we would hope that there would no longer be a need for the FFELP Consolidation program.

Loans – Eliminate default

AASCU believes that eliminating default should be a national goal by ensuring that the U. S. Department of Education, the guaranty agencies, and the lenders maintain contact with all borrowers after they leave college and place borrowers in an appropriate repayment program. "Default" occurs when the borrower has not made a payment for 270 days. The federal government has ample authority to place each borrower in a repayment plan in that period. If the borrowers have resources and will not pay, the federal government has multiple tools to extract payment. If the borrowers have difficulty repaying, there are repayment plans available to fit all borrowers' circumstances if the U. S. Department of Education, guaranty agencies, and the lending industry will make them known to borrowers.

AASCU supports legislative changes if necessary, to locate borrowers in repayment who are delinquent on their student loans. If the U.S. Department of Education determines that lack of current borrower addresses is causing borrowers to default, AASCU would support making the "National Directory of New Hires" maintained by the U.S. Department of Health and Human Services available to the U.S. Department of Education for the purpose of locating borrowers in delinquency as well as default status, so that borrowers do not build up large penalties for nonpayment.

AASCU is particularly concerned about borrowers who drop out of college. Recent research reveals that almost 300,000 borrowers annually who first enroll in a 4-year institution and aspire to a bachelor's degree have dropped out six years later, and nearly one-fourth have defaulted on loans. The U. S. Department of Education's own cohort default data indicate that one million students per year leave public four-year institutions, by graduation or failing to complete a program, and 40,000 default within two years. AASCU considers this unacceptable.

Loans – Interest rates

AASCU continues to support variable student interest rates capped at a maximum rate of 6.8 percent in both Stafford and Consolidation loans in both the FFELP and DL programs. AASCU also supports authority for borrowers who consolidated several years ago and are repaying 8-9 percent loans be given the chance to refinance those loans at a variable rate.

Loans – FFELP financing

AASCU appreciates the need for the federal government to determine how to manage the Federal Family Education Loan Program (FFELP) with the lowest federal cost for a program guaranteeing and subsidizing private

lender postsecondary education loans to needy borrowers with little if any financial background and uncertain job prospects. AASCU strongly believes that any savings made by changing the return to lenders, whether by cuts in special allowance or in new financing arrangements, should be utilized to provide greater benefits for students, not deficit reduction as was done in the Reconciliation Act of 2005.

Further, AASCU does not believe that savings should be achieved by providing differential benefits, such as interest rates, and by risk-rating institutions with different programs enrolling different types of students. Guaranteed loan volume should continue to be driven by the demand of eligible students and willingness of lenders to lend under federal terms, not an annual decision by Congress or the Executive Branch, as has been proposed by some. Funding for the FFELP should continue to be mandatory, and not compete for funding with the discretionary student aid programs. All flexible repayment options in the current programs should be retained, including all borrowers having access to income contingent repayment whether in the FFELP, or the Direct Loan Program.

College Affordability

AASCU supports proposals that would make data on tuition and fees easily transparent to parents and students. AASCU shares the national concern that tuition is rising faster than the cost of living and that federal and state financial aid is not keeping pace with tuition or inflation. Despite rising tuition and stagnant public investments in financial aid, AASCU institutions continue to be affordable for even the lowest income students. Students and families should not be deterred by “sticker shock” or reports of a “college cost crisis.” The federal government should work in cooperation with states and institutions to communicate with students and families about what it actually costs to attend college. AASCU supports the development of a net price measurement to this end.

In addressing college affordability, AASCU, would be wary of any attempt to institute federal price controls. In 36 states, public colleges and universities do not have tuition setting authority; that authority lies with governors, state legislatures, and/or coordinating boards. To create any sort of federal incentives or penalties for institutions based on tuition containment or increases, would ignore the role of not only who really sets tuition, but also the correlation between increasing tuition and declines in state appropriations to public higher education.

AASCU also supports substantive changes and improvements to the U.S Department of Education’s College Opportunities Online Locator (COOL) website in order to facilitate better consumer information regarding tuition and the factors contributing to rising college costs at our nation’s colleges and universities.

Transparency of Accreditation

AASCU supports amendments to the HEA that would require public disclosure and dissemination of findings from final accreditation reports. Additionally, AASCU encourages the six regional accrediting associations to communicate broadly their expectations in assessing and reporting student learning.

AASCU opposes attempts to promote the direct involvement of the federal government in regulating inter-institutional academic practices such as the transfer of credit. Academic matters are most appropriately handled through the collaborative efforts of accreditors, and statewide system, and institutional boards.

Graduation rates

AASCU advocates for modifications to the graduation rate calculation mandated by the Student Right-to-Know Act, and embedded in the HEA. We believe that more than one rate should be calculated to differentiate the rates between categories of students, using risk categories developed by the National Center for Educational Statistics (NCES). We believe that receipt of varying types of federal assistance can serve as a proxy for those

risk categories. NCES research has documented the strong influence of student characteristics on academic success. To give a fair representation of the challenge faced by institutions with large proportions of older non-traditional students, students who stop-out, and students who work excessive amounts, we propose that the one rate currently required be amplified.

Accountability

AASCU believes that public colleges and universities have a responsibility to communicate clearly and effectively about their stewardship of the public's investment in them. Policymakers and the general public need better data and meaningful information, not simply more data.

AASCU supports a federal and state role that calls for a privacy-protected national system of student level data. A national system, or an integrated network of state systems, could fill existing information gaps regarding net price, student attendance patterns, and success rates. Privacy and implementation issues remain, and a pilot test of such a system should be authorized to assess feasibility and weigh costs and benefits. Such a system could yield needed national data on a wide range of accountability indicators, including persistence/attainment, net price, and distribution of federal/state/institutional aid.

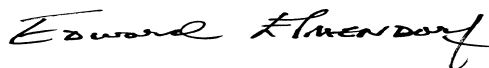
AASCU, in partnership with the State Higher Education Executive Officers (SHEEO), will advocate for states to develop a pilot test of an integrated network of state data systems. AASCU will encourage member institutions to participate in the pilot. AASCU has gone on record and will continue to support the development of a federal, privacy protected student information system, should such a proposal be introduced. At the current time, momentum seems to be directed toward the piloting of an integrated network of state systems, not a database created at the federal level. AASCU, however, has gone on record in support of a federal information system and supports either effort as a means to provide needed data.

Teacher Education

AASCU supports teacher preparation provisions similar to those that were included in Title II from the 109th Congress Senate bill to reauthorize HEA (S. 1614). AASCU encourages Congress to link policy issues in Title II of the HEA with those in Title II of ESEA. AASCU is particularly interested in provisions related to highly qualified teachers. In addition, AASCU supports the alignment of teacher education policies with P-20 data collection policies. AASCU will support the authorization of funding under ESEA for states to develop student data systems that link K-12 data to teacher preparation programs.

Again, we thank you for the opportunity to provide comments and we look forward to working with you as we move forward in the reauthorization of the Higher Education Act.

Sincerely,



Edward M. Elmendorf
Senior Vice President