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To: President-elect Donald J. Trump and his Transition Team
From: The Institute for College Access & Success
Date: December 16, 2016
Re: Recommendations to improve college affordability and success

We thank President-elect Trump for speaking during the campaign about college affordability and student debt, issues of concern broadly shared by citizens and policymakers on both sides of the aisle. As noted by the President-elect, he was asked about student debt more than any other topic on the campaign trail, and as experts on student loans, we understand why.

Higher education and college affordability matter to the people who voted for the president-elect and to all Americans. They are essential to fulfilling the president-elect's promise of more and better jobs for Americans who have been left behind. In today's economy, jobs that pay enough to get ahead, or at least not fall behind, usually require more than a high school diploma. Being able to complete a quality degree or other credential without burdensome debt is crucial to improving Americans' job prospects and quality of life.

For more than 10 years, The Institute for College Access & Success (TICAS) has analyzed trends in student loan borrowing and worked to identify and advance practical, solutions to promote college affordability and success, and to reduce the burden of student debt. We developed the policy framework that resulted in enactment of Income-Based Repayment (IBR), the first widely available income-driven repayment plan for federal student loans, and we led advocacy efforts for reforms that have dramatically simplified and improved the process of applying for federal student aid.

We commend the president-elect for calling for the following reforms, and this memo lays out our specific recommendations for the Trump administration to achieve these objectives:

- Streamline the federal student loan repayment plans and improve income-driven repayment;
- Stop the government profits from student loans;
- Reduce the influence of Wall Street and other wealthy special interests; and
- Establish effective accountability from colleges that receive federal funding.

This memo also includes recommendations on issues where there is broad bipartisan support for change, including improving student loan counseling and consumer information on college costs and outcomes so students and families can make informed decisions about where to enroll.

We stand ready to work with the transition team and incoming administration on areas of shared interest to advance college access, affordability, and success for all Americans. For more information, please contact Jennifer Wang, DC Office Director for TICAS, at jwang@ticas.org or 202-854-0230.

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Strengthen Pell Grants

Pell Grants are critical for the nearly eight million low- and moderate-income students a year who rely on them to pursue higher education or training. Pell Grants are the federal government's most effective investment in college access and success, and they have broad, bipartisan support from business, education, veterans, civil rights, and student groups, as well as from the higher education community. However, Pell Grants have lost purchasing power over time. In fact, Pell Grants now cover the lowest share of college costs in over 40 years.[1] We urge the Trump administration to preserve and build on the success of the Pell Grant program by: making it a mandatory program, not subject to annual appropriations; increasing the maximum grant amount to restore lost purchasing power; indexing the grants to inflation to maintain its purchasing power going forward; re-establishing year-round access to grants to help students complete college faster; and re-setting Pell Grant eligibility for defrauded students to provide them with an opportunity for completing a quality credential at another school. We also strongly support the Education Department's announcement that it will reset Pell Grant eligibility for students attending schools that closed,[2] also called for by Representative Luke Messer[3] and Senator Patty Murray.[4]

Protect Access to Federal Student Loans

Declining or stagnant family incomes, steadily increasing college costs, and grant aid that hasn't been able to keep up, have made borrowing one of the primary ways that students and families now pay for higher education. In 2015, seven in ten college seniors from public and nonprofit colleges graduated with an average debt of $30,100.[5] For the 76 percent of undergraduates who attend public colleges, the primary driver of increased college costs is the steady decline in state investment in public higher education,[6] leaving students and families to rely on borrowing to make ends meet. Average state funding per student has improved recently, but remains 18 percent lower than before the recession.[7] One of the most powerful ways to increase college affordability and reverse this cost shifting from states to students and families is for the Higher Education Act to include significant federal incentives, paired with a robust maintenance-of-effort provision, for states to reinvest in their public colleges.

For the students who continue to need to borrow to attend and complete college, federal loans are the safest option available, providing all eligible students with equal access to credit with capped interest rates, flexible repayment plans, and consumer protections not otherwise available. Without federal loans, students may forgo college altogether, delay entry, reduce their odds of success by attending

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[1] TICAS. 2016. *Pell Grants Help Keep College Affordable for Millions of Americans.* http://ticas.org/sites/default/files/pub_files/overall_pell_one-pager.pdf. For more information about Pell Grants, see http://ticas.org/pell-grant-publications-and-resources.

[2] U.S. Department of Education. Press Release. October 28, 2016. "U.S. Department of Education Announces Final Regulations to Protect Students and Taxpayers from Predatory Institutions." http://bit.ly/2eP7zcq.

[3] Rep. Messer. Press Release. October 12, 2016. "Rep. Messer urges Dept. of Education to restore Pell Grant eligibility to ITT Tech students." http://bit.ly/2gCAqNV.

[4] Sen. Murray. Press Release. October 6, 2016. "Sen. Murray Urges Dept. of Education to Use Authority to Restore Pell Grant Eligibility to Students Impacted by Closures of ITT Tech and Corinthian Colleges." http://bit.ly/2dh7NFh.

[5] TICAS. 2016. *Student Debt and the Class of 2015.* http://ticas.org/sites/default/files/pub_files/classof2015.pdf.

[6] State Higher Education Executive Officers Association (SHEEO). Press Release. April 27, 2016. "SHEEO Releases State Higher Education Finance FY 2015." http://bit.ly/2hGJVjV.

[7] Center on Budget and Policy Priorities. 2016. *Funding Down, Tuition Up: State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges.* http://bit.ly/22gCpd8.

part-time or working too much, or turn to much riskier forms of credit, such as credit cards, payday loans, or private education loans.

Maintaining guaranteed access to federal student loans is imperative. We and other student advocates have requested the Education Department analyze data to assess the likely effects of prorating loan eligibility by attendance status on student access and success. However, we urge the administration to oppose any proposal that would allow colleges to reduce eligibility for federal student aid for entire groups of students (e.g., by student characteristics or program of study).[8] Rather than protecting students from excessive borrowing, such proposals are more likely to deny low-income students access to college or to certain programs and careers, undermining the purpose of the Higher Education Act: that all qualified students should have access to a quality education in a program of their choosing, regardless of financial circumstances.

Students should be empowered with timely and meaningful information that helps them decide if they should borrow, and how much to borrow within the annual and aggregate loan limits set by Congress (see our recommendations for student loan counseling on page 14).

Improve Federal Student Loans

End Billions in Profits on Federal Student Loans

Analysis of recent Congressional Budget Office data reveals that the federal government will *make* $81 billion in profit over the next 10 years from student loans, even after accounting for the costs associated with income-driven repayment programs.[9] On average, the government will profit by nearly $8 billion per year. The federal student loan program should provide maximum benefits to eligible students, not generate profits for the government. As we detail below, the government could simplify and improve student loans with better targeting and lower interest rates to better reflect the government's actual cost of lending and administering the loan program. When student loans generate exceptionally large profits for the government, we urge Congress and the administration to use those funds to lower the cost of college for low-income students, rather than allow them to disappear into the federal budget.

Simplify and Target Federal Student Loans

There is bipartisan agreement that student loans should be simplified for borrowers. The current federal student loan program is too complex, too arbitrary, and its benefits too poorly targeted. TICAS has proposed creating one simple, affordable undergraduate loan with improved targeting in place of the subsidized and unsubsidized Stafford Loans available today.[10] Our proposed single loan better aligns incentives and targets benefits and will be easier for borrowers to understand and keep track of, and for schools and the Education Department to administer.

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[8] Coalition letter to Sen. Alexander, Rep. Kline, Sen. Murray, and Rep. Scott. May 19, 2015. http://ticas.org/sites/default/files/pub_files/loan_proration_letter_0.pdf.

[9] Calculations by TICAS and the Center on Budget and Policy Priorities using data from the Congressional Budget Office (CBO), August 2016 baseline. Figures represent projected budget authority (BA) between 2017-2026, including $1 billion in lower expected costs due to sequestration. Figures for the total student loan program include the Direct Loan program, FFEL program, and administrative costs.

[10] TICAS. 2013. *Improving Federal Student Loans for Undergraduates.* http://bit.ly/2hxd3u0.

Prevent the Return to the Scandal-Plagued System of Subsidizing Banks to Issue Federal Loans

Given the president-elect's campaign promise to run government for working Americans, not Wall Street banks and special interests, the former federal loan program in which banks received billions in taxpayer subsidies to issue federal loans should not be reinstated. The Federal Family Education Loan (FFEL) program that was ended in 2010 was costly for taxpayers, complex for students, and plagued by scandal. Peter McPherson, current president of the Association of Public and Land-grant Universities and former deputy Treasury secretary during the Reagan administration, recently said that such a proposal would be "politically untenable" because of its cost to taxpayers.[11]

In addition, while there are universal concerns about federal student loan *servicing (*which is provided by contractors), there are virtually no reports of problems with federal loan *origination*. Returning to a bank-based system for loan origination would not improve federal loan servicing given that the four main loan servicers were major players in the old bank-based system and continue to service federal loans that were issued by banks prior to 2010. In fact, it would likely exacerbate current loan servicing problems given the added complexity and lower transparency of bank-issued federal loans.

Streamline and Improve Income-Driven Repayment

We thank President-elect Trump for expressing support for income-driven repayment (IDR) of federal student loans. TICAS' Project on Student Debt developed the policy framework and – with broad support from students, colleges, lenders, and legislators from both sides of the aisle – led the advocacy campaign for what became Income-Based Repayment (IBR) in 2007. As the first widely available income-driven plan, IBR created a crucial safeguard for borrowers with high debt relative to their income: ensuring affordable monthly payments and a light at the end of the tunnel with forgiveness of remaining debt, if any, after at least two decades of responsible payments. There are currently five main IDR plans,[12] and we agree that they should be streamlined and improved. Student loan repayment is currently too complex and should be simpler and more consumer-friendly.

President-elect Trump has proposed that no borrower should pay more than 12.5 percent of his or her monthly income, and that any remaining federal student debt should be forgiven after 15 years of payments. Even though a 15-year maximum repayment period is shorter than current IDR plans, depending on the design of the plan, it could provide either more or less relief for student loan borrowers than current plans.

For example, current IDR plans recognize that borrowers need to cover basic necessities like housing, food, and transportation before being able to make payments toward their student loans. This "income exclusion" in current IDR plans is critical for ensuring affordable payments, affecting both the income at which borrowers are required to start making student loan payments as well as the calculation of their monthly payments. Currently set at 150 percent of the federal poverty level, the income exclusion for most IDR plans in the U.S. is already much lower than the thresholds used in similar repayment systems

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[11] Saul, Stephanie. November 21, 2016. "Where Donald Trump Stands on School Choice, Student Debt and Common Core." *The New York Times.* http://nyti.ms/2fYlUAT.

[12] See our one-page chart summarizing the IDR plans here: http://www.ibrinfo.org/files/existing_idr_options.pdf.

in the U.K. and in Australia.[13] If the president-elect's plan did not include an income exclusion, and instead used total income to determine payments, rather than using discretionary income, monthly payments would increase for all borrowers compared to current plans, and could lead to unaffordable payments for many. For example, monthly payments would be more than ten times higher for borrowers with incomes of $20,000.[14]

To ensure a fair, targeted, and effective student loan repayment policy, we have proposed capping monthly payments in IDR at 10 percent of income, with an income exclusion for low-income borrowers, and providing forgiveness after 20 years of payments.[15] To minimize the growth of loan balances for borrowers with low incomes relative to their debt, we propose a cap on accruing interest. This proposal ensures affordable monthly payments for all borrowers who enroll in IDR, while targeting benefits to those who are struggling the most.

In addition to a single, improved IDR plan, we recommend one fixed repayment plan for borrowers, with the repayment length based on their total debt. Some borrowers may prefer making the same monthly payment throughout the life of their loan, find IDR payments unaffordable because of other debts, or can afford to repay over a shorter time to minimize interest charges. For more information about why IDR may not be the best plan for everyone, see our white paper, *Should All Student Loan Plans Be Income-Driven? Trade-Offs and Challenges*.[16]

Some have proposed automatically withdrawing student loan payments directly from borrowers' paychecks as a simpler way to repay student debt. However, higher education researchers have acknowledged that a paycheck withholding system for student loans would be immensely complex to operationalize.[17] There are serious concerns regarding the feasibility of implementing paycheck withholding, including whether an employer-based repayment system makes sense for workers in today's economy, how much such a system would burden employers and borrowers, and whether it could adequately protect borrowers' privacy. Paycheck withholding would be particularly complex for workers with multiple jobs, the self-employed, and married taxpayers who file taxes jointly with their spouse. Some student loan borrowers are alarmed about paycheck withholding, stating concerns about lack of privacy and their desire to be able to retain more control over their own finances. Reflecting these concerns, there's currently a high bar for the types of expenses that can be withheld, by default or forcibly, from Americans' paychecks. We discuss these and other concerns about paycheck withholding in our white paper mentioned above.

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[13] Australian Government. Study Assist website. "Loan Repayment." http://bit.ly/1bleyxw. U.K. Government. "Student Finance: Repayments." https://www.gov.uk/repaying-your-student-loan.

[14] Calculations by TICAS, assuming that the borrower is single and has an adjusted gross income (AGI) of $20,000 and federal student loan debt of $30,000. Under the newest IDR plans, her monthly payments in the first year would be $18. Under the president-elect's proposal without the income exclusion, her monthly payments would be $208.

[15] TICAS. 2013. *Helping Students Make Wise Borrowing Choices and Repay Federal Student Loans.* http://bit.ly/2hxkcKR.

[16] TICAS. 2014. *Should All Student Loan Plans Be Income-Driven? Trade-Offs and Challenges*. http://ticas.org/sites/default/files/pub_files/TICAS_IDR_White_Paper.pdf.

[17] New America, Young Invincibles, and the National Association of Student Financial Aid Administrators. 2015. *Promise and Compromise: A Closer Look at Payroll Withholding for Federal Student Loans.* http://bit.ly/1MxWdoM.

Reinstate Multi-Year Consent for Income-Driven Repayment

Recent data from the Education Department show that more than half of borrowers (57 percent) enrolled in IDR plans missed their annual deadline to recertify their income.[18] Failure to recertify on time can lead to sudden, significant jumps in monthly loan payments, sometimes when a borrower can least afford it. The administration can move immediately to make it easier for borrowers to continue making payments based on income by allowing borrowers to give advance permission for the Education Department to automatically access their required tax information (sometimes called "multi-year consent"). Borrowers used to be able to do this, and they should be able to again. Borrowers could revoke their permission to access their tax data at any time.

We encourage the administration to endorse the bipartisan SIMPLE Act, sponsored by Representative Ryan Costello (R-PA) and Representative Suzanne Bonamici (D-OR).[19] This bill would automate the annual income recertification process for IDR and automatically enroll severely delinquent borrowers in an IDR plan before they default.

Prioritize Student Loan Reforms to Prevent Default and Get Borrowers Out of Default

We urge the administration to make both preventing default and helping Americans exit default top priorities for the Education Department. There are currently a record eight million federal student loan borrowers in default – roughly one in five federal student loan borrowers.[20] This is unconscionable given the more than $800 million of taxpayer money spent each year on federal loan servicing[21] and the availability of income-driven repayment plans to keep monthly loan payments affordable. Defaulting on a federal student loan has severe and long lasting consequences for student loan borrowers and the economy, including ruining the borrower's credit and adding significantly to the cost of the loan.

Improve Student Loan Servicing

There is bipartisan agreement that student loan servicing must be improved. In August 2016, House Education and the Workforce Committee Chairman John Kline and Higher Education and Workforce Training Subcommittee Chairwoman Virginia Foxx sent a letter documenting the need for improvements to servicing, citing issues including inadequate oversight of contractors, a lack of minimum standards, and inconsistent and inefficient services to borrowers.[22] We share many of the concerns cited in this letter.

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[18] U.S. Department of Education. "Sample Data on IDR Recertification Rates for ED-Held Loans." Shared on April 1, 2015 at the second negotiated rulemaking session. http://www2.ed.gov/policy/highered/reg/hearulemaking/2015/paye2-recertification.pdf.

[19] Rep. Costello. Press Release. September 8, 2016. "Costello, Bonamici Introduce Bill to Reduce Burden of Student Loans." http://bit.ly/2csL22g.

[20] Calculations by TICAS using data from the U.S. Department of Education, Federal Student Aid Data Center, "Direct and Federal Family Education Loan Portfolio by Loan Status," http://bit.ly/1O6zgrW, and "Federal Student Aid Portfolio Summary", http://bit.ly/2hvfiOd. Loan portfolio data as of June 30, 2016, accessed December 12, 2016.

[21] U.S. Department of Education. 2016. *Fiscal Year 2017 Budget Request: Student Aid Administration.* http://www2.ed.gov/about/overview/budget/budget17/justifications/y-saa.pdf. Page Y-14.

[22] U.S. House of Representatives Committee on Education and the Workforce. Press Release. August 8, 2016. "Committee Raises Concerns with FSA Management, Single Servicer Proposal." http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=400962.

While some changes will require legislation, many servicing problems can be addressed administratively through improved oversight of contractors and contracting changes. We agree with many of the administrative changes detailed in the Education Department's July 2016 Policy Direction on Federal Student Loan Servicing.[23] Among other changes, the Education Department recommends better aligning financial incentives with the provision of high-quality student loan servicing that provides borrowers with clear, consistent, and timely services. The memo rightfully emphasizes servicer accountability and transparency so that loans are serviced in a cost-effective manner and relevant data are made publicly available.

Improve Student Loan Collections

A complete overhaul of the loan rehabilitation process is needed and requires legislation, but much can be done administratively. Collection reforms and contracting changes could greatly reduce the number of borrowers in default, helping millions of Americans contribute fully to the economy and better support their families. For example, a recent government report estimates that current policies and practices lead one-in-three rehabilitated student loan borrowers to re-default within two years despite likely qualifying for zero-dollar monthly payments under an income-driven plan.[24] Taxpayers pay debt collectors as much as $40 for every dollar they collect through rehabilitation, even if the borrowers quickly re-default. Among other changes, we recommend contractors be compensated for keeping borrowers out of default, not simply for getting borrowers out of default only to immediately re-default. In addition, we recommend contractors be required to inform borrowers if their loans may be eligible for loan cancellation due to disability, school closure, or fraud.

Provide Relief for Borrowers Who Declare Bankruptcy and Face Undue Hardship

Federal student loans are not dischargeable in bankruptcy except in cases of "undue hardship." The Education Department and guaranty agencies fight virtually every claim of undue hardship, a practice that is widely criticized as both unfair and a waste of taxpayer resources.[25] We urge the Trump administration to stop this practice by implementing the recommendations of multiple Senators and House members to provide guidance to the Education Department's collection agents on when to settle rather than contest undue hardship cases.[26] Such an approach would protect the right to file for bankruptcy, provide fairness, and focus collection efforts on cases where there is a real opportunity for repayment.

Increase College Accountability and Promote Innovation at High-Performing Schools

[23] U.S. Department of Education. Policy Memorandum. July 20, 2016. "Policy Direction on Federal Student Loan Servicing." https://www2.ed.gov/documents/press-releases/loan-servicing-policy-memo.pdf.

[24] Consumer Financial Protection Bureau (CFPB). Press Release. October 17, 2016. "CFPB Projects that One-in-Three Rehabilitated Student Loan Borrowers Will Re-default Within Two Years." http://bit.ly/2fEbUju.

[25] Kitroeff, Natalie. January 1, 2014. "Loan Monitor is Accused of Ruthless Tactics on Student Debt." *The New York Times.* http://nyti.ms/1eYfQ8E. National Association of Consumer Bankruptcy Attorneys (NACBA) and National Consumer Law Center (NCLC). Statement. July 13, 2015. "Groups: Department of Education Fails to Respond to White House Call for Student Debt Relief in 'Undue Hardship' Bankruptcy Cases." http://www.nclc.org/images/pdf/bankruptcy/PR_NACBA_on_DOE_Response20150713.pdf.

[26] Rep. Cohen. Press Release. May 16, 2014. "Cohen, 6 Members of Congress Urge Education Secretary to Bring More Fairness to Struggling Students." http://bit.ly/2hGNH9c.

College Accountability: Combine Rewards and Sanctions to Improve Student Outcomes

There is strong bipartisan support for improving the current federal aid eligibility system, which uses a blunt, all-or-nothing strategy that allows schools to maintain the status quo, even if their performance consistently falls near the established failing threshold. With few exceptions, federal policies currently treat all colleges alike, regardless of their record of serving students well. This one-size-fits-all approach to regulation and oversight tends to over-regulate the best colleges and under-regulate the worst. To provide effective incentives for colleges to improve and reward schools that serve low-income students well, we recommend a federal aid eligibility policy that supplements other existing accountability measures. By using a student-based debt outcome measure, our proposal ties federal aid eligibility to the actual financial risk students take by enrolling and the risk taxpayers take by subsidizing the school. Next week we will be releasing a working paper that refines the college accountability proposal we first developed in 2013.[27] The proposal includes graduated risk-sharing payments to prompt colleges to improve, as well as rewards to encourage colleges that serve students well to innovate and enroll more low-income students.

Enable Innovation While Protecting Students and Taxpayers

The Education Department should enable innovation to increase college affordability and student achievement while protecting students and taxpayers from fraud and failed innovations. For example, our risk sharing proposal would give colleges that serve students well both financial and non-financial rewards, including greater flexibility to innovate. Schools, not students, should bear the cost when innovations do not prove successful.

There is precedent for providing greater flexibility to colleges based on their track records. For example, under current law, schools with lower default rates are given greater flexibility in the disbursement of student loans.[28] In addition, nonprofit and for-profit colleges with strong "financial responsibility scores" are subject to less oversight and monitoring than schools with lower financial responsibility scores.[29] However, these examples are exceptions to the general rule of a one-size-fits-all approach to regulation and oversight, which inhibits innovation at the best colleges and permits waste, fraud, and abuse at the worst. To safely foster innovation, we recommend more policies take into account how well a college serves students in terms of access, affordability, and success (i.e., completion with a quality credential without burdensome debt).

Comprehensive accreditation reform, which requires legislation, is urgently needed, both to promote innovation and increase accountability. Great care will be needed to ensure it reduces regulatory burden and promotes innovation at colleges serving students well while requiring low-performing schools to rapidly improve. We agree with the Education Department's decision to terminate recognition of the

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[27] TICAS. 2016. *A New Approach to College Accountability: Balancing Sanctions and Rewards to Improve Student Outcomes.* Report will be accessible at http://ticas.org/content/pub/new-approach-college-accountability.

[28] For example, schools with a cohort default rate (CDR) of less than five percent are eligible to make single and timely disbursements of loans for attendance in a study-abroad program. Schools with default rates of less than 15 percent are not required to delay the delivery or disbursement of loans for 30 days for first-time, first-year undergraduate borrowers. For more information, see https://ifap.ed.gov/DefaultManagement/finalcdrg.html.

[29] For more information on the relationship of financial responsibility scores to levels of oversight, see http://studentaid.ed.gov/about/data-center/school/composite-scores.

Accrediting Council for Independent Colleges and Schools; however, this failure of accreditation is by no means the only example of the weakness in our current system of accreditation.[30]

Retain Protections that Prioritize Student Success Over Special Interests

All schools should be held accountable for the taxpayer dollars they receive. Almost all of the Education Department regulations adopted over the last several years to better protect students and taxpayers apply to all types of colleges, including the rules on incentive compensation and gainful employment. They have already had a positive impact and have broad support from state attorneys general and advocates for students, veterans, consumers, civil rights, and college access. We urge that they be effectively implemented while new accountability measures are adopted to provide all colleges with incentives to improve, as discussed in the college accountability section above. To that end, we urge the administration to support and fund the Education Department's Student Aid Enforcement Unit, which is essential to ensuring the law is fairly and consistently enforced to protect students and taxpayers, as well as provide a level playing field among colleges and contractors.

To deliver on the promise to "drain the swamp" and rein in the influence of special interests, we urge the administration to support and enforce the gainful employment rule. The rule applies to career education programs at public, nonprofit, and for-profit colleges, provides for disclosure of key information on program costs and outcomes, and requires programs that consistently leave students with debts they cannot repay to improve or lose federal funding.[31] Special interests seeking to profit from federal funding at the expense of students and taxpayers have opposed the regulation. However, the Congressional Budget Office estimates that its repeal would *increase* spending by $1.3 billion over 10 years.[32] In response to robust evidence of widespread fraud and abuse documented at some schools offering career education programs,[33] a broad coalition of organizations representing veterans, students, civil rights, and consumers has worked to protect the gainful employment rule and ban on incentive compensation against attacks.[34] We urge President-elect Trump to stand on the side of students and taxpayers by enforcing these regulations and to prevent companies from getting away with fraud.

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[30] For documentation of the problems with accreditation and proposed solutions, see, for example: Fuller, Andrea and Douglas Belkin. June 17, 2015. "The Watchdogs of College Education Rarely Bite." *The Wall Street Journal.* http://www.wsj.com/articles/the-watchdogs-of-college-education-rarely-bite-1434594602; Education Counsel. 2015. *Framework for Risk-Informed, Differentiated Accreditation.* http://educationcounsel.com/?publication=framework-risk-informed-differentiated-accreditation; and Center for American Progress. 2016. *A Quality Alternative: A New Vision for Higher Education Accreditation.* http://ampr.gs/2fwoXmH.

[31] TICAS. 2016. *Gainful Employment Rule Questions & Answers.* http://ticas.org/sites/default/files/pub_files/gainfulemploymentqa_0.pdf.

[32] CBO preliminary estimate of permanently prohibiting the Department of Education from implementing any rulemaking relating to "gainful employment" and from making any rules related to "gainful employment," July 7, 2016. Estimate includes both mandatory and discretionary spending.

[33] Sen. Harkin. Press Release. July 30, 2012. "Harkin: Report Reveals Troubling Realities of For-Profit Schools." http://bit.ly/2hxMYIz.

[34] See, for example, the coalition letter to Rep. Ryan, Sen. McConnell, Rep. Pelosi, and Sen. Reid. June 21, 2016. http://bit.ly/2gFglLJ. See also the coalition letter from state attorneys general to Sen. McConnell, Sen. Reid, Sen. Cochran, Sen. Mikulski, Rep. Ryan, Rep. Pelosi, Rep. Rogers, and Rep. Lowey. November 24, 2015. http://bit.ly/2gy4Uk2.

An integral part of protecting students and taxpayers from fraud is providing students with a fresh start after schools commit fraud. The "borrower defense" regulations published on November 1, 2016 provide information that consumers need to make informed decisions and that enhance market competition. Fifty-eight organizations representing students, veterans, consumers, civil rights, and others advocated for a strong borrower defense rule to protect students and taxpayers from fraud, deception, and other misconduct by unscrupulous colleges.[35] The final rule includes important transparency provisions to ensure students are not the last to know about accreditor or government concerns about their school and to warn students about certain schools with very poor loan repayment outcomes. We urge the administration to effectively implement the borrower defense rule, including requiring repayment rate warnings, conducting consumer testing to effectively inform students about risky schools required to post collateral, and enacting other provisions. These measures will help ensure that students and taxpayers do not bear the cost of school wrongdoing.

An additional safeguard to prevent wasteful government spending is the statutory 90-10 Rule, which requires for-profit colleges to receive at least 10 percent of their revenue from sources other than the government.[36] This rule is modeled on the Department of Veterans Affairs' (VA) long-standing 85-15 Rule, which prohibits more than 85 percent of a program's students from receiving VA funding. It was first enacted with strong bipartisan support in 1992. However, through a loophole, GI Bill funds and Department of Defense (DoD) Tuition Assistance Funds are counted as private dollars. This has led unscrupulous schools to aggressively and deceptively recruit veterans, servicemembers, and their families to enroll in high-priced, low-quality programs.[37] Federal taxpayers should not fund low-quality schools, much less be the sole funder of them. If a school offers a quality education at a competitive price, someone other than the federal government, such as employers, scholarship providers, or students, will be willing to pay to attend the school. We urge the administration to support bipartisan legislation to close the 90-10 loophole and strengthen the rule,[38] and to take administrative steps to curb 90-10 manipulation.[39]

Lastly, we urge the Trump administration to protect students and taxpayers from aggressive and misleading recruiting practices by opposing the creation of loopholes in the current ban on incentive compensation.[40] The statutory ban and regulations apply equally to all types of colleges. We also support a prohibition on any type of college using taxpayer-funded Title IV funding for advertisements, marketing, or recruitment.

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[35] Coalition comments on the proposed borrower defense regulations. August 1, 2016. http://bit.ly/2aqfC9e.

[36] TICAS. 2016. *Q&A on the For-Profit College "90-10 Rule."* http://ticas.org/sites/default/files/pub_files/90-10_qa_0.pdf.

[37] U.S. Senate Committee of Health, Education, Labor & Pensions. Press Release. June 22, 2016. "Senate Dems: Time to Close For-Profit College Loophole Impacting Servicemembers, Veterans and Taxpayers." http://bit.ly/2hiimMZ.

[38] For more information, see Rep. Cohen. Press Release. Nov. 20, 2015. "Cohen, Jones, Durbin: Congress Should End Loophole that Encourages For-Profit Colleges to Target Veterans & Servicemembers." http://bit.ly/2gLsZaq.

[39] For more on our recommendations to curb 90-10 manipulation, see pages 16-17 of TICAS. 2014. *Comments on Topics for Negotiated Rulemaking.* http://bit.ly/1Gghj11.

[40] For more information, see National Association for College Admission Counseling (NACAC). Letter to Sen. McCain. June 10, 2015. http://bit.ly/2hqHvWl.

Simplify and Improve the FAFSA

Millions of students file the Free Application for Federal Student Aid (FAFSA) each year. It is the only way to access federal Pell Grants, student loans, and work-study jobs, as well as most state grants and college scholarships. Even though students and families are now able to file the FAFSA earlier and more easily than ever before, the overall process is still far from simple. There is broad, bipartisan interest in further simplifying the process.

In addition to considering our recommendation to eliminate 20 burdensome questions from the application,[41] we urge the administration to simplify a complex and costly piece of the FAFSA process that is often overlooked - the verification process. In 2014-15, the Education Department required colleges to ask 5.3 million students[42] – more than one in four aid applicants – for additional "verification" paperwork *after* they submitted the FAFSA. This added step primarily affects low-income students, delaying aid and enrollment while adding administrative burdens for colleges. Our most recent report reveals the significant impact of verification on students and schools.[43] It includes findings from a survey of over 600 college financial aid administrators; the majority of these administrators said verification takes up more than 25 percent of their offices' time, and one in five said it takes more than 50 percent. Efforts to simplify the process by which eligible students receive federal aid must take into account the entire FAFSA process, including reducing unnecessarily burdensome verification requirements for both students and schools.

Improve Consumer Information and Tools

Bring Postsecondary Data into the 21st Century

Students and families need timely, robust data in order to make informed choices about where to go to school and how to pay for it, yet the consumer data currently available are limited in their application to different types of students and educational pathways. We join business leaders,[44] the Postsecondary Data Collaborative,[45] and students[46] in seeking a repeal of the 2008 ban on a federal student unit record system (SURS), and the creation of a SURS with strong protocols for protecting student privacy and data security. Bipartisan bills have been introduced to do this, including one cosponsored by House Speaker Paul Ryan among others, to ensure that students have the information they need to make informed decisions about higher education.[47]

[41] TICAS. Memorandum. June 29, 2015. "Recommendations for Eliminating Specific FAFSA Questions to Further Simplify the Federal Student Aid Application Process." http://bit.ly/2gFtt1H.
[42] U.S. Department of Education. 2015. "Session GS2: FAFSA Application Processing and Verification Update." Presentation at the Federal Student Aid Training Conference for Financial Aid Professionals. http://fsaconferences.ed.gov/conferences/library/2015/2015FSAConfSessionGS2.ppt.
[43] TICAS. Press Release. November 16, 2016. "Voices from the FAFSA Frontlines Reveal Complexity and Costs of 'Verification' Paperwork Affecting Millions of Low-Income Students." http://ticas.org/sites/default/files/pub_files/on_the_sidelines_nr.pdf.
[44] Coalition letter to Sen. Alexander and Sen. Murray. April 24, 2015. http://bit.ly/2hubYQF.
[45] Coalition letter to President-elect Donald Trump and Presidential Transition Team. December 14, 2016. http://bit.ly/2hlvqRL.
[46] Ravipati, Sri. October 6, 2016. "A Million Students Push for Postsecondary Data Reform." *Campus Technology.* http://bit.ly/2gWez5b.
[47] Rep. Love. Press Release. May 21, 2015. "Rep. Mia Love Introduces Her First Bill." https://love.house.gov/press-releases/rep-mia-love-introduces-her-first-bill/.

There are also incremental improvements to existing data collection and reporting mechanisms that can be made to answer critical questions about postsecondary outcomes for all students. We urge the Education Department to prioritize the collection, analysis, and public disclosure of student loan debt outcomes by race and ethnicity, as requested by 40 organizations in an August 2016 letter to the Secretary of Education.[48] We also fully support expanding available servicer-level data as outlined in the Education Department's July 2016 Policy Direction on Federal Student Loan Servicing.[49]

Provide Students with Access to Critical Consumer Data through the College Scorecard

The College Scorecard provides students and families with data they need to better understand their college options in a user-friendly interface. The Education Department also provides open access to the underlying data to promote innovation in the private and non-governmental sectors through the creation of additional user-friendly tools. We join the Postsecondary Data Collaborative in urging the Trump administration to maintain and annually update the College Scorecards, as well as the accompanying data releases, in order to continue providing students and families access to easy-to-understand, up-to-date information needed to make decisions about where to attend college.[50] We also encourage the administration to continue to improve the data provided in the College Scorecard by including more refined outcome measures, such as debt at graduation broken out by credential length.

Establish a Universal Net Price Calculator

Net price calculators can help prospective college students look beyond college "sticker prices" to get early, personalized estimates of college costs and financial aid, but our research has found that many of these online tools are difficult to find, use, and compare.[51] Making it easier to find and compare these cost estimates would help students and families make more informed decisions about which colleges to apply to and attend. We strongly support bipartisan legislation to improve net price calculators, including the creation of a "universal net price calculator" – a central website that would allow students to answer one set of questions and obtain comparable net price estimates for multiple colleges at once.[52] This single portal for students would dramatically simplify the current time-consuming process of finding and filling out different sets of questions on each college's website, and would show students their expected cost of attendance at different institutions, including financial aid, in a format that is easy to understand and compare. Colleges could continue to create their own customized net price calculators for students who are seeking more precise estimates and who are able to provide more detailed financial and other information.

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[48] Coalition letter to Sec. King. August 17, 2016. http://bit.ly/2hB3tpX.

[49] U.S. Department of Education. Policy Memorandum. July 20, 2016. "Policy Direction on Federal Student Loan Servicing." https://www2.ed.gov/documents/press-releases/loan-servicing-policy-memo.pdf.

[50] Coalition letter to President-elect Donald Trump and Presidential Transition Team. December 14, 2016. http://bit.ly/2hlvqRL.

[51] "Net price" is the difference between the total cost of attendance and grant/scholarship aid. It can also be understood as the amount that students and their families have to earn, save, or borrow to attend a particular school. For more information about net price calculators, visit http://ticas.org/net-price-calculator-publications-and-resources.

[52] Sen. Grassley. Press Release. October 7, 2015. "Grassley, Franken Re-introduce Bipartisan Bills to Help Students Understand Cost of College, Make Cost Comparisons Easier." http://bit.ly/1R9zWev.

Reduce Complexity for Students Comparing Financial Aid Offers

A standard financial aid award letter would make it easy for students to understand and compare the real costs of attending the different colleges to which they've been admitted. More than 3,000 colleges now use the Education Department's Shopping Sheet, which provides a model format for college financial aid offers, as well as key outcome information on each school.[53] Yet most schools either use it only for some of their students or do not use it at all. This leaves too many students and families confused and unable to reconcile aid offers that are presented differently by different schools. To guarantee that students receive clear and comparable information from every college to which they are admitted, we support bipartisan legislation that would require all colleges receiving federal aid to use a similar standardized format.[54]

Improve Student Loan Counseling to Empower Students to Make Informed Decisions

By providing students with timely and relevant information related to student loan borrowing, federal student loan counseling can play an integral role in helping students make wise borrowing decisions that both enable them to achieve their educational goals and avoid delinquency and default. While the Education Department has worked to improve the current online entrance and exit counseling used by student loan borrowers at colleges across the country, there remains significant potential and bipartisan interest in enhancing federal student loan counseling.[55] Schools should be empowered to require annual counseling to help borrowers make informed decisions, not deter or restrict access to loans that students need to attend and succeed in college. We also recommend the Education Department clarify its guidance to schools to make clear that schools must inform students of the full amount of loans for which they are eligible but need not package the maximum loan amount. In the coming months, we will be issuing a brief that includes detailed recommendations to strengthen federal loan counseling, and we would be happy to meet with the administration to discuss improvements to the online tools that can be made immediately.[56]

Optimize the Higher Education and Student Loan Complaint System

We are part of a broad coalition of organizations working on behalf of students, consumers, veterans, servicemembers, faculty and staff, civil rights, and college access that supports improvements to the Education Department's complaint system.[57] The complaint system can play a critical role in holding the government accountable to students and taxpayers by ensuring that schools and the Education Department's contractors are serving students and student loan borrowers well. The coalition urges the administration to make the system public and searchable to help inform consumer decisions and prompt contractors, schools, states, and accreditors to more rapidly address common problems. A

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[53] U.S. Department of Education. "Financial Aid Shopping Sheet." http://www2.ed.gov/policy/highered/guid/aid-offer/index.html. For a list of colleges using the Shopping Sheet, see "Institutions that have adopted the Shopping Sheet." Accessed December 12, 2016.
[54] Sen. Grassley. Press Release. October 7, 2015. "Grassley, Franken Re-introduce Bipartisan Bills to Help Students Understand Cost of College, Make Cost Comparisons Easier." http://bit.ly/1R9zWev.
[55] See, for example, U.S. House of Representatives Committee on Education and the Workforce. 2016. *Bill Summary: The Empowering Students Through Enhanced Financial Counseling Act.* http://bit.ly/2hxHm3Y.
[56] For our detailed recommendations for improving federal student loan counseling, see TICAS. 2016. *Recommendations for Improving Federal Online Student Loan Counseling.* http://ticas.org/sites/default/files/pub_files/ticas_loan_counseling_recommendations.pdf.
[57] Coalition letter to President Obama. October 25, 2016. http://bit.ly/2hCSrAr.

public and searchable complaint system will also increase public confidence in the Education Department's oversight and management of Title IV funds.

Protect Private Student Loan Borrowers

Notify Private Student Loan Borrowers of their Remaining Federal Student Loan Eligibility

There is bipartisan support for ensuring that students take out federal loans before turning to riskier private loans to pay for school.[58] Yet, almost half of undergraduates who borrow private loans could have borrowed more in safer federal student loans.[59] Paying for college with private loans is similar to paying for college on a credit card because private loans typically charge higher interest rates and lack the consumer protections and flexible repayment options that come with federal loans, except that private loans are much more difficult to discharge in bankruptcy than credit card debt. TICAS along with a coalition of student advocates, schools, and lenders, as well as the Consumer Financial Protection Bureau and the Education Department, have all endorsed requiring "school certification" of private loans, including notifying the student of any remaining federal aid eligibility before the loan is certified.[60]

Treat Private Loans like Other Consumer Debt in Bankruptcy

Since 2005, it has been much more difficult to discharge private education loans than credit cards and other consumer debt in bankruptcy. This leaves most private loan borrowers at the mercy of the lender if they face financial distress due to unemployment, disability, illness, or military deployment, or when a school closes before a student can finish their certificate or degree. Dozens of organizations representing veterans, students, schools, admissions counselors, teachers, financial aid administrators, and consumers support restoring fair bankruptcy treatment to private loan borrowers.[61]

Simplify and Target Higher Education Tax Credits to Improve Their Effectiveness

There is bipartisan agreement that higher education tax benefits are overly complex, and too poorly timed and targeted to efficiently increase college access or success. We encourage the administration to lead the way in advocating for Congress to move forward with common-sense improvements to education tax benefits, including those in bipartisan legislation introduced in 2013,[62] which incorporated many of our recommendations to dramatically streamline tax benefits by improving the American Opportunity Tax Credit (AOTC) and eliminating less targeted and less effective benefits such as the Tuition and Fees Deduction and Lifetime Learning Credit.[63] This bill also proposed eliminating the

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[58] See, for example, U.S. House of Representatives Committee on Education and the Workforce. 2016. *Bill Summary: The Empowering Students Through Enhanced Financial Counseling Act.* http://bit.ly/2hxHm3Y.
[59] TICAS. 2016. *Private Loans: Facts and Trends.* http://bit.ly/2axtG3o.
[60] Coalition Letter to Dir. Cordray. June 17, 2013. http://bit.ly/2hwWRWS. Coalition letter to Sen. McConnell and Sen. Reid. May 7, 2010. http://bit.ly/2hxvITo.
[61] Sen. Durbin. Press Release. March 12, 2015. "As Rising Student Loan Debt Nears $1.2 Trillion, Durbin Introduces Legislation To Address Crisis." http://bit.ly/1dIepMu.
[62] Rep. Black. Press Release. Oct 30, 2013. "Black and Davis Unveil the Student and Family Tax Simplification Act." http://bit.ly/2gwNuV0.
[63] For more information about our recommendations, see TICAS. 2014. *Streamline and Improve the Targeting of Education Tax Benefits*. http://bit.ly/2gDUKDD.

taxation of Pell Grants, removing unnecessary complexity that keeps many students from accessing the tax benefits for which they are eligible; a call echoed by bipartisan legislation introduced in 2016.[64]

Additionally, to simplify the tax code, ensure equity, and reduce the burden of student debt, we recommend eliminating the taxation of forgiven or discharged federal student loan debt. For example, currently, loan balances discharged after 10 years of payments under the Public Service Loan Forgiveness program (PSLF) are not treated as taxable income. But balances discharged after 20 or 25 years of responsible payments in an income-driven repayment (IDR) plan *are* treated as taxable income. This potential tax liability may discourage some of the borrowers IDR was designed to help most from enrolling. Similarly, loans discharged due to death or permanent disability are currently treated as taxable income, which can lead to significant tax charges for permanently disabled veterans as well as parents grieving the loss of a child whose education they had supported by borrowing.

Prioritize Consumers Over Wall Street and Special Interests

The Consumer Financial Protection Bureau (CFPB) protects hardworking American households' ability to compete in today's economy by ensuring that markets are not rigged by Wall Street and special interests and by giving consumers, including students, the tools they need to make informed financial decisions. President-elect Trump campaigned on taking on Wall Street and ensuring that the government works hard for taxpayers. Under the leadership of Richard Cordray, the CFPB is doing this by protecting students from illegal student lending, servicing, and collection practices, including securing penalties against companies that mistreat private student loan borrowers,[65] halting a student loan debt relief scam where a private company posed as the federal government,[66] stopping companies from ripping off student loan borrowers by charging exorbitant fees for sham financial services,[67] and protecting students from illegal predatory lending by schools.[68] The CFPB has also produced numerous financial education tools for students and families to help them understand the complexities of student loans and ensure effective market competition. Its college financial aid comparison tool complements the Financial Aid Shopping Sheet to help borrowers tailor their financial aid offers to their personal circumstances,[69] and its guide for repaying student debt asks borrowers questions to help guide them to the best options for them.[70] We urge the administration to oppose any efforts to weaken the CFPB.

[64] Rep. DeSaulnier. Press Release. September 13, 2016. "Congressman DeSaulnier Announces Bi-Partisan Legislation to Expand Pell Grants and Eliminate Taxes on Non-Tuition Expenses." http://bit.ly/2cTZEeB.
[65] CFPB. Press Release. Aug 22, 2016. "CFPB Takes Action Against Wells Fargo for Illegal Student Loan Servicing Practices." http://bit.ly/2gDZ1GN. CFPB. Press Release. July 22, 2015. "CFPB Orders Discover Bank to Pay $18.5 Million for Illegal Student Loan Servicing Practices." http://bit.ly/2hrkCPv.
[66] CFPB. Press Release. March 30, 2016. "CFPB Halts Student Loan Debt Relief Scam." http://bit.ly/2gWlyuI.
[67] CFPB. Press Release. October 29, 2015. "CFPB Takes Action Against Nationwide Student Financial Aid Scam." http://bit.ly/2hiFHOC.
[68] CFPB. Press Release. October 28, 2015. "CFPB Wins Default Judgement Against Corinthian Colleges for Engaging in a Predatory Lending Scheme." http://bit.ly/2gHJhky. CFPB. Press Release. February 26, 2014. "CFPB Sues For-Profit College Chain ITT For Predatory Lending." http://bit.ly/2hpufB8.
[69] The CFPB's "Compare financial aid offers" tool can be found at http://www.consumerfinance.gov/paying-for-college/compare-financial-aid-and-college-cost/.
[70] The CFPB's "Repay student debt" tool can be found at http://www.consumerfinance.gov/paying-for-college/repay-student-debt/.