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Tyler, TX

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Tougaloo, MS

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Tuskegee, AL

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Wilberforce, OH

Wiley College  
Marshall, TX

Xavier University  
New Orleans, LA

March 30, 2015

The Honorable Lamar Alexander  
Chairman  
Committee on Health, Education, Labor and Pensions  
U.S. Senate  
428 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Alexander:

I am writing on behalf of UNCF (United Negro College Fund) and our 37 member institutions (including Fisk University, Lane College and LeMoyne-Owen College) to provide comments on S. 108, the Financial Aid Simplification and Transparency Act, or FAST Act. I, along with several of our member presidents, would greatly appreciate an opportunity to meet with you to discuss the FAST Act and other important higher education issues impacting Historically Black Colleges and Universities (HBCUs) that the Health, Education, Labor and Pensions Committee will consider later this year.

UNCF is proud of its 71 years of service in helping low-income students of color progress to and through college by means of scholarship and programmatic support. We are a major scholarship provider to African American, Hispanic American, Native American and Pacific Islander students, having raised more than \$4.3 billion to help over 400,000 students receive college degrees at HBCUs and other institutions across the country.

With our deep experience in serving disadvantaged students of color, we know that federal student aid is essential for students without their own financial means to go to and through college. By 2012, only 23 percent of young African Americans between ages 25 and 29 had earned a college degree – about half the rate for white Americans – at a time when college degrees are more essential than ever. Even worse, the nation's progress in boosting this percentage and closing college attainment inequities has slowed. Today, too many low-income African-American students feel shut out of obtaining the college degree that they need and that the nation needs them to have due to academic, social, financial and other challenges.

Thus, we are pleased that the FAST Act takes significant steps towards making college more accessible and affordable for all students, but especially for low-income students and those attending HBCUs, by making it easier for prospective students to apply for

and receive federal student aid. We greatly appreciate your support, applaud these efforts, but encourage you to do even more to ensure that all financially needy students have the resources they need to enroll in and complete college. I look forward to working with you to further strengthen the bill and provide comments below on specific provisions.

## **Pell Grants**

The Pell Grant program is the cornerstone of postsecondary educational opportunity and additional investments in Pell Grants are essential to reversing the deplorable inequity in college opportunity that exists in our country today. Only 9 percent of low-income students earn a bachelor's degree by age 24 compared to 77 percent of students from high-income families. Financial barriers contribute greatly to these disparities. UNCF sees first-hand the thousands of talented students who come to us each year for scholarships and must be turned away because we do not have sufficient resources. Today, nearly all low-income students have unmet financial need after receiving grants from all sources, making them more reliant on loans and additionally burdened by debt than more affluent students.

The FAST Act allows for continued inflation adjustments for Pell Grants, and UNCF supports any increase to the maximum Pell Grant award. Nonetheless, we believe that the maximum Pell Grant award should be dramatically increased if the doors to college are to be opened to all students, irrespective of their financial circumstances. The Pell Grant once covered nearly three-quarters of the cost of a four-year public college education. To make progress in restoring its purchasing power, the maximum Pell Grant should be doubled over the life of the Higher Education Act (HEA) reauthorization to meet a benchmark of covering at least 60 percent of the cost of attending a four-year public college or university.

UNCF strongly supports the bill's provision to restore the year-round Pell Grant, which will help students earn degrees faster and at a lower cost. However, UNCF believes that the Pell Grant program should be as flexible as possible, and we encourage you to expand eligibility for year-round Pell grants to students who are attending at least half-time, so that these important funds are available to students both when they need them and on a schedule that works for the students. Many students have constraints on their attendance due to work and family obligations, and should not be penalized for attending less than full-time.

UNCF appreciates the provision in the bill that allows for automatic eligibility for Pell Grants for students who qualify for other means-tested benefits. This will help simplify the financial aid process for many low-income students.

In addition, UNCF urges you to reconsider the current 12 semester limit for Pell Grants. This harmful restriction disproportionately impacts African-American students who often take longer than six years to complete their studies due to the need

to take remedial courses, unmet financial need and work or family responsibilities. Congress recently adopted the 12 semester restriction as a budget-cutting tool, with little debate as to its impact or policy implications. Congressional Budget Office estimates suggest that more than 100,000 Pell recipients, including those near completion of their educational programs, were negatively impacted in the year following the enactment of this restriction.

### **Free Application for Federal Student Aid (FAFSA)**

UNCF applauds your strong focus on streamlining the FAFSA in order to make the application process for federal student aid simpler and easier for students to navigate. This complicated form, and other nuances of the federal student aid system, keep prospective students from receiving the essential college assistance. According to the U.S. Department of Education, over two million students each year who would qualify for a Pell Grant fail to complete the FAFSA, leaving valuable financial aid on the table.

While we appreciate the steps the FAST Act takes toward simplifying the application process and streamlining federal student aid policies and procedures, our member institutions are concerned that limiting the FAFSA to only two questions goes too far and would require colleges and universities to then develop their own forms in order to gather information that is needed for allocating institutional aid. We believe there is a middle ground between the current 108 questions and two questions. We encourage you to review the Administration's proposal included in its Fiscal Year 2016 budget request that calls for eliminating 30 questions on the FAFSA, bringing it to a more manageable size for students and families while still providing essential information to institutions.

### **Federal Student Aid Provisions**

UNCF supports providing information to students on their financial aid eligibility as early as middle school. Our on-the-ground experience in conducting college awareness programs for minority youth (e.g., the Wells Fargo and UNCF Empower Me Tour, Gates Millennium Scholars' Bridge Builders Program) tells us that these students need as much information as possible on the academic requirements for college, how to create competitive college applications and sources of financial aid. Providing early information on the federal financial aid that may be available to these students, especially a look-up table for Pell Grant eligibility, could make a critical difference in the college-going rates for these youth. We applaud these provisions in the FAST Act, as well as those that grant automatic Pell Grant eligibility to students in families receiving benefits from certain means-tested federal programs.

UNCF appreciates the bill's provision that allows institutions to prorate loan limits based on a student's full-time or part-time status, with institutional discretion. This provision will help limit over-borrowing for part-time students. Similarly, we support the provision that allows institutions to raise or lower loan limits based on individual

circumstances. Added flexibility for institutions in this area is helpful, but in order to avoid this leading to any discriminatory practices, we also support the language in the bill, or similar language, that would require institutions to use objective criteria when making these decisions. We want to avoid any instance of “redlining” or other discriminatory practices in student lending, such as those that have taken place in the issuance of credit to minority and low-income populations.

UNCF does have some concerns about the bill’s provision that changes the annual and aggregate loan limits. While the limits are increased for dependent and graduate students, the bill decreases the limit for independent students. The majority of African-American undergraduates are independent students. While these students often are eligible for PLUS loans, these loans are subject to a credit check, which can limit some students’ access. Further limiting these students by decreasing their access to loans will undermine their ability to acquire the financial resources they need to continue their studies.

Additionally, UNCF is concerned that the FAST Act seeks to keep the existing interest rate structure for student loans, especially PLUS loans. Current law pegs loan rates to a market-based structure and sets rates which are too high, especially for PLUS Loans (currently at 7.21 percent). The federal government should not profit off of low- and middle-income families who are struggling to pay for college amidst other responsibilities. We urge you to consider changing the rate structure in HEA to allow for lower interest rates. Further, as you look to redesign the student loan structure, we recommend eliminating origination fees for student loans. This is especially crucial for the 13 percent of students at HBCUs who rely on PLUS Loans, which have origination fees of 4.29 percent, the highest origination fee for any federal student loan.

The FAST Act eliminates subsidized undergraduate loans, which will make college even less affordable for financially needy students by raising their cost of borrowing for education expenses and increasing their student loan debt burden. A student borrowing \$23,000 in subsidized loans would leave school owing an additional \$3,800 in accrued interest and would owe even more over the course of repayment. UNCF does not support this provision, which would negatively impact the 80 percent of students enrolled in HBCUs who must rely on loans to attend college. If the elimination of subsidized undergraduate loans is advanced, we believe any resulting budgetary savings should be used to expand income-based repayment options for students in order to help them manage the increased cost of borrowing.

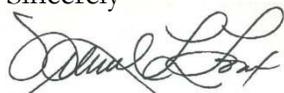
While we appreciate the provisions in the FAST Act that streamline loan repayment programs for students, we urge you to go even further. UNCF believes that income-based repayment of student loans should be made automatic and universal so that all borrowers, including PLUS Loan borrowers, have manageable, income-based options for repaying their education loans. We recommend that income-based repayment options limit loan payments to 10 percent of monthly income and forgive any remaining loan balance after 20 years of loan payments. Borrowers who wish to pay

on the standard, ten-year schedule should have the option to opt out of the income-based repayment system if they desire to pay off their loans faster. These steps would help to lift the burden of ensuring that students repay their loans off the backs of institutions and taxpayers, and substantially reduce, if not eliminate, student loan defaults. The HEA cohort default rate (CDR) requirements have forced HBCUs to invest scarce resources in default management and prevention, including analyzing various student loan records, hiring external consultants to track increasingly mobile graduates to encourage loan repayment, and filing CDR challenges, adjustments and appeals when the U.S. Department of Education uses incorrect data to calculate CDRs. All of these activities distract from the primary purpose of their institutions, which is teaching and learning, and would largely be unnecessary under an automatic and universal income-based loan repayment system.

Finally, I would like to express the strong concerns that our member institutions have about the provisions in the FAST Act which would eliminate the Federal Supplemental Educational Opportunity Grant program and effectively allow for the sunset of the Perkins Loan program. These programs are important components of a federal strategy to enhance college access and success. They help fill financial aid gaps and address needs specific to individual students. Moreover, they are an especially important source of support for students on HBCU campuses who disproportionately come from low-income families and are more likely to exhaust their eligibility for other types of federal student aid.

In closing, I and our member presidents thank you for the opportunity to comment on this legislation. We welcome the opportunity to work with you on our concerns. Please feel free to contact me or Cheryl L. Smith, UNCF's Senior Vice President, Public Policy and Government Affairs, at 202.810.0334, if you or your staff need additional information.

Sincerely

A handwritten signature in black ink, appearing to read "Michael L. Lomax". The signature is fluid and cursive, with the first name "Michael" being the most prominent.

Michael L. Lomax, Ph.D.  
President and CEO  
UNCF