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March 20, 2017

The Honorable Brett Guthrie, Chairman
The Honorable Susan A. Davis, Ranking Member
Subcommittee on Higher Education and Workforce Development
Committee on Education and the Workforce
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Guthrie and Ranking Member Davis:

As the Subcommittee on Higher Education and Workforce Development considers ways to improve federal student aid to better meet the needs of students, I want to offer the views of the UNCF (United Negro College Fund), which has raised over \$4.6 billion in our 73-year history to support college success for minority students. Improving federal student aid programs authorized under Title IV of the Higher Education Act is of critical importance to the nation's 101 accredited historically black colleges and universities (HBCUs), including UNCF's 37-member private HBCUs.

HBCUs annually enroll approximately 300,000 students – primarily students with limited means who are underprepared for college – but produce graduates and leaders who are able to compete in the global economy. HBCUs enroll about 10 percent of the nation's African American undergraduates, but produce nearly 20 percent of African Americans who complete bachelor's degrees and 25 percent of those with bachelor's degrees in STEM fields. A 2015 [Gallup report](#) found that 55 percent of black HBCU graduates said that their college prepared them well for post-college life compared to 29 percent of black graduates of other institutions. More recently, a [Brookings Institute study](#) concluded that HBCUs do the best job in “vaulting the lowest-income kids into the top quintile as adults.” HBCUs accomplish these results at an affordable cost to students that is nearly 30 percent less than other four-year colleges and universities, and with fewer resources available to them.

The Importance of Federal Student Aid

Federal student aid is increasingly important to the ability of HBCUs to train the skilled workforce that the nation needs. Approximately 70 percent of HBCU students receive Pell Grants and 78 percent receive federal student loans to attend college. Over 80 percent of HBCU students are African American students. For African American students, who lag behind nearly every racial group on college attainment, federal college assistance is crucial for their upward mobility in our society.

Yet, we are not making enough progress on African American college attainment and that lack of progress is related to the availability of financial assistance for college. Research and UNCF's own experience suggest that money matters for college access and success. And it matters most for

African American families who generally have lower assets and incomes that limit their ability to contribute toward college expenses. In the past decade, the wealth gap between whites and blacks has increased from sevenfold to thirteen fold. Drawing on [data from the Survey of Consumer Finances](#), the median net worth of a *single parent* white household is twice that of the *two-parent* black household.

The federal student aid process must be strengthened, streamlined, and simplified to maximize its effectiveness. However, streamlining and simplifying federal student aid should not mean cutting back on vital federal assistance for the most vulnerable students who need the most help.

The Need for a Robust Federal Investment in Pell Grants

Federal financial assistance targeted to low-income students has not kept pace with the need. The Pell Grant program is the single largest source of federal scholarships for students who lack the financial means to pay for college; over 7.6 million students receive Pell Grants. Nonetheless, in the 2016-2017 school year, the maximum Pell award of \$5,815 paid, on average, only 29 percent of the average cost of attendance at a four-year public college and only 13 percent of the average cost of attendance at a four-year private, nonprofit college – *the lowest share in the history of the program*.

A more robust federal investment in Pell Grants would enhance college access, improve college outcomes – both persistence and degree completion – and lower student debt, which is a crisis for students at HBCUs. According to a recent UNCF study, [Fever Resources, More Debt](#), students at HBCUs borrow loans at greater rates, borrow greater amounts, seek loans from more costly sources and encounter more obstacles repaying their loans, despite attending lower cost institutions. For instance, in 2012, a quarter of HBCU bachelor's degree recipients borrowed \$40,000 or more, which is four times the rate of their non-HBCU peers who borrowed this same amount.

The Pell Grant should be the equalizer for students with limited means, and there are a number of ways to make Pell Grants work better for them. Here are a few suggestions:

- There is an *immediate* need to restore year-round Pell Grants that enable students to finish college faster and with less debt; as well as to raise the maximum Pell Grant and index it to account for inflation.
- Over time, Congress should double the current maximum Pell award to approximately \$12,000 to support roughly 60 percent of the cost of attendance at a four-year public university and continue a cost-of-living adjustment for the award.
- The Pell program can be modernized to incentivize on-time completion, such as providing support for dual enrollment programs, extra Pell funds for students who take 15 credits per semester instead of 12 credits, and incorporating flexibility for students to use Pell funds across award years. All of these reforms could help students finish faster, on time and with less debt.
- On the other hand, Congress should recognize that some students – such as those requiring remedial education and nontraditional students attending part-time – take longer to earn their degrees. To accommodate these students, Congress should extend or repeal the 12-semester Pell Grant eligibility limit.

Campus-based Aid Leverages Additional Resources for Low-Income Students

The campus-based aid programs – Supplemental Educational Opportunity Grants (SEOGs), Federal Work-Study funds and Perkins Loans – leverage significant additional resources for low-income students because institutions must provide matching funds (at least 25 percent of the federal award). These programs also enable institutions to assist students who have reached Direct Loan borrowing limits and lower student loan debt. UNCF encourages the Subcommittee to continue to support these valuable programs and to revise their allocation formulas to target aid to colleges serving high proportions of low-income students.

More than 55,000 HBCU students – approximately 22 percent of HBCU undergraduates – rely on SEOG average awards of \$600. SEOGs continue to be a critical component of the federal student aid portfolio for HBCUs because these grants make exceptionally needy Pell Grant recipients the priority for supplemental assistance.

Federal Work-Study funds benefit over 26,000 HBCU students with average awards of about \$1,700, providing them an opportunity to work reasonable hours to earn money to pay tuition and living expenses. Recent [research](#) by Teachers College at Columbia University affirms that the Federal Work-Study program has positive long-term impacts on persistence, graduation and post-college employment, particularly for low-income students. Work-study jobs are a valuable way for African American students to gain workplace skills that prepare them for future jobs and careers, helping to address the problem of under- and unemployment in African American communities.

About one-third of all HBCUs participate in the Perkins Loan Program. As a result, over 10,000 HBCU students receive Perkins Loans that average \$2,200 per award. With a fixed 5 percent interest rate, Perkins Loans are more desirable than more costly private loans or Parent PLUS Loans. Moreover, Perkins Loans provide an important loan cancellation benefit for students who go into public service fields, such as teaching, nursing, law enforcement, child care and the military.

Student Loan Reforms

Even with Pell Grants and campus-based aid, student loans will remain a critical component of college financing for many low-income students. However, much more could be done to redesign and improve federal Direct Loans and loan repayment options to reduce borrowing costs and to make loan repayment more manageable for students and parents.

Direct Loans are too costly; their origination fees should be eliminated completely and interest rates should be lowered so that the federal government does not generate excess revenues at the expense of low-income families. Proposals to eliminate subsidized Direct Loans, by charging low-income students interest while they are in school, would be a move in the wrong direction, costing students thousands of dollars in a program in which the federal government already is making a profit.

The Parent PLUS Loan program provides unsubsidized loans to parents of dependent undergraduates, after a credit check, to help eligible parents meet college expenses after other sources of federal student aid are exhausted. While some have proposed the elimination of Parent PLUS Loans in the name of streamlining federal student loan programs, we urge that the program be “repaired, not repealed.” When the U.S. Department of Education unilaterally tightened the Parent PLUS Loan credit requirements in October 2011, we learned just how critical these loans are to college access for hundreds of thousands of students across the country, and especially to students at HBCUs. Today, approximately 39,000 students at HBCUs – approximately 15 percent of all HBCU undergraduates – depend upon Parent PLUS Loans to meet their college expenses,

and another 8,600 HBCU students – approximately 23 percent of all HBCU graduate students – receive Graduate PLUS Loans to help them finance advanced studies.

The elimination of Parent PLUS Loans would almost certainly lead to fewer students enrolling and staying in college and undermine the financial stability of HBCUs unless replaced by better student aid options, such as a *substantial* increase in Pell Grants and campus-based aid, and an increase in borrowing limits for subsidized and unsubsidized Direct Loans. Graduate PLUS Loans are essential to help meet the demand for individuals with advanced educational credentials and to ensure access to education throughout the K-20 pipeline.

While Parent PLUS Loan regulatory reforms were put into place in March 2015 by the U.S. Department of Education after a negotiated rulemaking process, statutory modifications could improve the program for parents who sacrifice by taking on loan debt to invest in their child's education. Among key improvements would be eliminating the origination fee and lowering interest rates, currently at 4.272 percent and 6.31 percent, respectively, for the 2016-2017 academic year. A more robust loan counseling requirement should be incorporated into the program so that all participants borrow only what is needed, know the loan terms and conditions, and fully understand their repayment obligations. Finally, an income-driven repayment option should be provided that not only will benefit parents, but also will reduce complexity in the federal education loan programs by aligning repayment options across loan programs. Congresswoman Marcia Fudge (D-OH) introduced H.R. 4661 in the 114th Congress incorporating some of these reforms.

In fact, building a smarter, simpler and single income-based system for the repayment of all federal student loans should be an urgent priority. Congress should move forward to modernize and streamline the confusing and complicated menu of at least eight repayment plans – all with different eligibility guidelines and terms – into a single income-based plan as the default option for all borrowers, both students and parents. While implementation details would need to be studied, such a program would make student loans more affordable, serve as an insurance mechanism to protect borrowers during periods of unemployment, benefit taxpayers by eliminating defaults and lift the burden of student loan collection from HBCUs, which face sanctions if cohort default rates become too high.

Streamlining and Simplifying Federal Student Aid

First among needed streamlining reforms is simplifying the Free Application for Federal Student Assistance (FAFSA). The complexity of the 108-question FAFSA acts as a major barrier to college entry and success for low-income students. According to the U.S. Department of Education, two million students leave Pell Grants on the table because their families do not complete the FAFSA. Streamlining the FAFSA, as others have recommended, could result in more low-income students applying to college and receiving need-based grants.

The recent actions by the U.S. Department of Education and the Internal Revenue Service (IRS) to discontinue online access to the IRS Data Retrieval Tool, a critical tool for streamlining the FAFSA process, is a major setback and could negatively impact thousands of low-income students who are currently applying for financial aid for the 2017-18 academic year. We applaud this Committee's efforts to obtain prompt answers from the Administration on how this problem will be remedied, while protecting students' and parents' security and privacy.

Students and their families need earlier and better information about federal student aid. A recent [report](#) from the National Center for Education Statistics found that one in five undergraduate students did not seek out any form of financial aid – federal, state or institutional – to attend college, leaving billions of federal financial assistance behind because they believed that they were

ineligible. Students should receive information about college as early as elementary school and federal financial aid counseling in secondary school to boost financial aid awareness and college-going rates. Moreover, students and families need more personalized counseling and individualized assistance to complete the FAFSA. The federal government can streamline this information and programs such as TRIO and GEAR UP can provide the needed support. Additionally, students receiving means-tested federal benefits, such as under the Supplemental Nutrition Assistance Program (SNAP), Medicaid and Supplemental Security Income (SSI) program, should be able to automatically qualify for a zero Expected Family Contribution (EFC) to receive maximum Pell Grants. This would also allow the federal government to notify students of their eligibility earlier.

Congress should allow low-income students to establish federal student aid eligibility for more than one year to eliminate the need for them to reapply each year, as their financial circumstances don't change significantly from year to year. A review every two years, with financial aid officers applying professional judgment on a case-by-case basis, would streamline the process and alleviate the burden on low-income families. Ranking Member Bobby Scott introduced a bill (H.R. 5784) in the 114th Congress, the File Once FAFSA Act of 2016, which would move policy in this direction.

Congress should also consider revising the federal needs analysis to better target federal aid to low-income students. One way to do this would be to incorporate a negative EFC for the poorest students whose families have no assets.

In addition, the income verification process – which requires students to provide additional documentation regarding their income status *after the FAFSA is completed* – can be another challenging hurdle for low-income families. These procedures can block students' access to essential financial aid if they are unable to successfully navigate this process. A [study](#) by The Institute for College Access and Success found that most of the students that the U.S. Department of Education flags for income verification are Pell-eligible students; yet there is evidence that few Pell students see a change in their aid eligibility due to the income verification process. Thus, the verification requirements simply require low-income students to prove repeatedly that they are poor and burden HBCUs and other institutions with additional compliance costs.

Conclusion

A college education remains the single most important strategy for opening the door to economic opportunity for low-income and minority students. HBCUs have been working for over 100 years to provide educational opportunities to these students who our nation most needs to earn college degrees. UNCF and our 37-member HBCUs look forward to partnering with you to increase those opportunities through a robust, effective and efficient federal student aid system. All of the Title IV federal student aid reforms discussed in this letter would make it easier for HBCU students and their families to get the college financial assistance they need.

Sincerely,



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

cc: Members of the Education and the Workforce Committee