April 23, 2015

Chairman Lamar Alexander
Committee on Health, Education, Labor and Pensions
428 Senate Dirksen Office Building
Washington, DC 20510

Dear Chairman Alexander,

Thank you for the opportunity to submit comments on the HELP Committee white papers, including the paper on risk-sharing. On behalf of CLASP's Center for Postsecondary and Economic Success (C-PES), I respectfully submit these comments for your consideration and further exploration. C-PES promotes policies and investments to increase career advancement and economic mobility for low-income adults and youth. C-PES has in-depth knowledge of federal higher education, workforce, and human services policies and also provides technical assistance to states and colleges on improving postsecondary access and completion, providing students with comprehensive financial supports, developing career pathways, and designing performance measurement systems.

We agree with the premise that institutions need to be more accountable for higher education affordability. After all, the average cost for a low-income family (those earning up to $31,224) to send their child to a public institution, *after* factoring in grants and scholarships, is at least 40% of their income.[1] The prevalence of unmet need is common even at two-year public institutions, which are considered relatively low cost; the average full-time independent student in the lowest income quartile at one of these institutions, for instance, has an unmet need of $7,734.[2] We are concerned that risk-sharing proposals focus too much on affordability on the back end (after students have separated), and are not able to address the ever-rising costs students face while they are trying to pursue their program of study. In developing any final policies, Congress should consider both the circumstances in which students attend higher education and how the lack of college affordability limits their persistence and success.

Most significantly, we are troubled by the discussion that risk-sharing proposals could help modify institutional behavior so as to "establish appropriate admissions practices for at-risk students," and "minimize [institutional] risk" by devoting resources to drive on-time student completion (page 5). This language is alarming, since it raises the prospect that institutions would be (or should be) encouraged to accept only students that institutions believe can complete their program of study, and in an amount of time determined by the government. Notably, the white paper also fails to define what "appropriate admissions practices" are, and how risk-sharing can "motivate students to complete more quickly" (page 5).

We are also concerned about the potential for risk-sharing to act as an incentive for institutions to adopt admissions policies that admit only the "lowest-risk" students, which would potentially

[1] Clark, K. "Yes, College Costs Are Eating Up More of Your Income" March 27, 2015. http://time.com/money/3761431/college-costs-percent-income/
[2] CLASP Paper on Unmet Need, Release Pending.

penalize institutions for every student that defaults, or force them to pay higher rates into an insurance fund based on a risk factor which considers non-completers. We appreciate the recognition of “unintended consequences” (page 8) and the need to protect low-income or high-risk students; however, this late acknowledgement is not proportional to the dangers from the proposals in the earlier part of the paper. In addition to financial hurdles, many low-income students face information and academic preparation barriers, [3] and policies should not be advanced that will have a high probability to erect more barriers to success in higher education.

Non-traditional students make up the majority of individuals attending postsecondary education today,[4] with at least half of those students categorized as low-income.[5] The attendance patterns and life circumstances of non-traditional students makes on-time completion particularly difficult. Many of these students are returning to school later in life, and already have children, a job, a home, or other obligations. Nearly one in four of these students is employed part-time, and more than a quarter are employed full-time.[6] The decision to work may be a first attempt to avoid more serious scenarios – such as reducing attendance intensity, taking out student loans, stopping out, or dropping out – in order to meet the high costs of higher education. Some institutions further risk low-income students’ retention and completion by front-loading student grant aid in the first year or two of attendance, effectively stranding students financially and forcing them into making these tough choices.[7] A Public Agenda research piece found that 71% of students cited needing to work and make money as a reason why they did not complete their program of study – with a large majority of those students stating it was a “major reason.”[8] The committee’s risk-sharing proposal does nothing to reduce or eliminate the continued need for students, including those who will not be able to complete “on time,” to make these choices.

Another set of points raised in the white paper that we would like to highlight is the characterization of potential issues caused by a “misalignment of incentives” (pgs. 2-3). This section seemed to disproportionately address community colleges, which is particularly confusing since, among all institutional sectors, students attending public two-year institutions borrow the least, and in the smallest amounts.[9]

In response to the issues raised in that section of the white paper:

<u>“Generous cost of attendance policies can allow for significant student debt unrelated to tuition and fees.”</u> As stated above, students face significant amounts of unmet need, and this is true whether students attend full- or part-time, are dependent or independent, or are lower- or moderate-income. Clearly there is financial need for student loans across the board, simply to

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[3] Nagaoka, J., Roderick, M., & Coca, V. (2009) *Barriers to College Attainment: Lessons From Chicago*. The Consortium on Chicago School Research , The University of Chicago. http://www.studentclearinghouse.org/high_schools/files/STHS_ChicagoSchools.pdf

[4] Advisory Committee on Student Financial Assistance. *Pathways to Success: Integrating Learning with Life and Work to Increase National College Completion*. Washington, DC: February 2012.

[5] CLASP. *Yesterday’s Non-Traditional Student is Today’s Traditional Student.* See also for additional information about the demographics of today’s postsecondary students.

[6] *Ibid.*

[7] Pratt, T. *College “Bait and Switch”*. April 20, 2015. http://hechingerreport.org/in-a-college-bait-and-switch-financial-aid-often-declines-after-freshman-year-2/

[8] Public Agenda. *With Their Whole Lives Ahead of Them: Myths and Realities About Why So Many Students Fail to Finish College*.

[9] U.S. Department of Education National Center for Education Statistics. *Student Aid Study (NPSAS:12): Student Financial Aid Estimates for 2011-12*. August 2013

meet basic costs of attending college. Further, a recent *Chronicle of Higher Education* article pointed to the fact that a number of institutions have evaluated their cost of attendance figures over the last several years, and while some have decreased, a large percentage have increased – some by as much as 100%.[10] Research has also shown that among institutions with a large portion of students living off-campus, almost one in three "provided allowances that are at least $3,000 less than the estimated costs of living in that region."[11] Since students are not allowed to borrow from Federal sources beyond the cost of attendance figures established by institutions, it is unlikely they are over-borrowing to the degree of considering these policies "generous."

<u>"Some institutions have high cohort default rates."</u> It is true that some public two-year and less-than -two-year institutions typically have higher than average cohort default rates (CDR). However, given that they have a smaller sample of borrowers from which to base the calculation, even fewer than ten borrowers can make the difference between sanctions and a passing grade.[12] We are concerned with using the CDR as a measure for evaluating risk-sharing penalties. This could further incentivize institutions to manipulate the CDR system by driving students into private and/or PLUS loans – which are not represented in the CDR calculation – once risk-sharing penalties (in addition to access to Title IV) are on the line. In effect, this would create artificially low CDRs for these institutions, and leave students potentially worse off.

<u>"Taxpayers and students bear the burden and consequences of default."</u> We agree that this is true, and further note that those who bear the greatest burden are borrowers who took out loans to receive an education that will not be effective at securing them family-supporting employment. Institutions bear responsibility to provide students with in-demand training opportunities. Individuals who choose to pursue a postsecondary credential accept the high costs in order to get the skills and training necessary for a job in their chosen field. This is why innovative programs such as career pathways are so significant, because they allow employers to have a role in a program's curriculum, institutions to offer programs they know will be relevant in the labor market, and students to attain credentials in segments as they are interested or able. Further, career pathways programs are particularly beneficial to low-income and non-traditional students, because they often provide additional supports such as coursework that integrates career-relevant topics, program navigation services, and career development.[13]

<u>"Some institutions have low student completion rates."</u> Many times non-completers are categorized as such because they transfer from a community college to a four-year school (or otherwise from a two-year to four-year program) prior to completing their associate's degree. Among community college students who transferred to a four-year college within five years, 62% eventually earned a bachelor's degree.[14] Additionally, intervening factors, such as life events, often cause students to stop-out, where they may separate from school long enough for

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[10] Wolverton, B., & Kambhampati, S. *Fluctuations in Aid Allowances Raise Questions of Fairness in Athletics*. The Chronicle of Higher Education, April 18, 2015. http://www.chronicle.com/article/Fluctuations-in-Aid-Allowances/229487/

[11] Kelchen, R., Hosch, B., & Goldrick-Rab, S. *The Costs of College Attendance: Trends, Variation, and Accuracy in Institutional Living Cost Allowances*. October 2014. http://www.wihopelab.com/publications/Kelchen%20Hosch%20Goldrick-Rab%202014.pdf

[12] Fain, P. *The Default Trap*. Inside Higher Ed. July 30, 2014. https://www.insidehighered.com/news/2014/07/30/looming-default-rates-could-penalize-community-colleges-where-few-students-borrow

[13] Burns, M., Lindoo, S., Dincau, J., Speck, R., & DeMaster, D. *Minnesota FastTRAC: Implementation Study of 2011 Adult Career Pathways*. October 2013.

[14] Jenkins, D., & Fink, J. (2015). *What We Know About Transfer.* New York, NY: Columbia University, Teachers College, Community College Research Center.

their loans to go into repayment, but eventually return to school. The National Student Clearinghouse found that, due to limitations in current data collection, if student completions were able to be tracked across state lines, almost every state would receive at least a 20% decrease in their non-persistence rates among students who started at 4-year public institutions.[15]

Ultimately, we agree that institutions should have more responsibility for ensuring that the training they provide is sufficient for their former students to find employment and repay their student loan obligations. We recommend that any policies developed from the committee's white paper should keep in mind the importance of maintaining access for low-income and non-traditional students, including increasing the affordability of higher education while in school and ensuring nothing is done to discourage the continued economic, racial, age, and other types of diversity among institutional student bodies.

If you have questions, please feel free to contact me at lwalizer@clasp.org. Thank you again for the opportunity to comment.

Sincerely,

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[15] Shapiro, D., Dundar, A., Wakhungu, P., Yuan, X., & Harrell, A. (2015, February). *Completing College: A State-Level View of Student Attainment Rates* (Signature Report NO. 8a). Herndon, VA: National Student Clearinghouse Research Center.