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## U. S. Department of Education Hearing on the Higher Education Opportunity Act of 2008 Pepperdine University Malibu, California October 2, 2008

CASFAA is the largest state financial aid association in the country, representing more than 1700 financial aid administrators from over 500 California institutions. We extend you a warm welcome and thank you for selecting our state as one of your hearing sites.

The Higher Education Opportunity Act includes numerous new provisions requiring additional institutional reporting requirements, campus security reporting, institutional consumer information and loan disclosure information. As practicing aid administrators, our comments today are focused on some of the issues we will be facing in our offices.

### Title IV, Part F - Student Eligibility and Need Analysis

#### Parent Information and Loan Eligibility

Students whose parents refuse to support them or complete a FAFSA form are now eligible for an unsubsidized student loan. It is our understanding that this section does not change the student's dependency status, but there is some confusion over the amount of unsubsidized loan for which the student is eligible and some clarification would be helpful.

#### Professional Judgment

The law offers additional examples of circumstances when an aid administrator might use Professional Judgment to assist a student. The law preserves our ability to use our own judgment to make need analysis adjustments when warranted by mitigating circumstances and prescribes that a professional judgment decision be exercised on a documented case-by-case basis. We are concerned that this specificity in the law may lead some aid officers to believe that their authority is limited to circumstances listed in the law and ask the Department to reconfirm the broad application of professional judgment allowed under the law and the principle that the financial aid officer is the sole authority on whether a student's circumstances merit a professional judgment decision.



### Drug Conviction Remedy

Students who became ineligible due to prior drug convictions while receiving Title IV aid may become eligible for Title IV aid if they have completed two unannounced drug tests. The Department agreed in prior Negotiated Rulemaking sessions that Title IV eligibility requirements concerning drug offenses should not be determined by the institution, but left up to direct communication between the student and the Department. We request that this policy be continued and that this new provision be incorporated into the current process.

### ACG/SMART Grant

We support the reinstatement of the Department's authority to develop a set of courses that can serve as an alternative to a state's definition of rigorous high school curriculum and believe that the current set of courses have worked well and provide a method of qualifying student in , private high schools where the curriculum that may differ from the state-prescribed curriculum but be equally or more rigorous.

### TEACH Grant

In addition, we applaud the law's provision that allows the Department to define extenuating circumstances under which the recipient may be excused from teaching the full four years without the penalty of the grant converting to the loan. We request that the Department establish regulations that are broad enough to include a variety of reasonable circumstances and a process by which the recipient may appeal a negative decision.

### Pell Grant Eligibility and Civil Confinement for Sexual Offenses

California is one of the states that require civil confinement for previously incarcerated sexual offenders. The law now prohibits institutions from awarding Pell Grants to these students. However, it is unclear how institutions will obtain this information and it is likely in a state as large as California, that it could be difficult for institutions to acquire this information despite their best efforts. We request that the Department develop a way to report this status on the student's ISIR.

## **Part B – Student Loans**

### Loan Counseling

CASFAA has repeatedly asked for clarification that lenders and guarantors can assist institutions with in-person loan entrance and exit counseling. The law specifically exempts these activities in the definition of prohibited gifts, but in another section only specifies that guaranty agencies may assist institutions with exit counseling. It is our understanding that Congress intended to allow both lenders and guaranty agencies to assist colleges with loan entrance and exit counseling, but could only address exit counseling because entrance counseling is regulatory rather than statutory. There are many reasons why loan counseling delivered by the lender or guaranty agency is very effective, not the least is the increasing complexity of the programs that make it difficult for aid officers to deliver the most updated and accurate information to students. We



request that the Department specifically reaffirm this important role of lenders and guaranty agencies in the upcoming regulations.

#### Cohort Default Rates and Low-Volume Institutions

It is anticipated that the increase in the number of years over which the loan cohort default rate is calculated will increase average default rates. Institutions may appeal an adverse ruling due to a high default rate and if they have a low number of student borrowers. This is because the law already recognizes that the default rate is not a measurement of institutional integrity in these cases. However, to get to that point, the institution must submit a detailed appeal to the Department after the default rates are published. This seems to be an unnecessary clerical burden for both the institution that has to prepare the appeal and the unit in the Department of Education charges with reviewing it. In addition, although the institution is then exempted, the adverse publicity generated by the published default rate can have a negative effect on the institution's enrollment. We support the proposal from the California Community Colleges Financial Aid Administrators Association (CCCSFAAA) to provide an automatic exemption and not require the calculation of a default rate for these institutions.

#### **Title I -General Provisions and Institutional Eligibility**

##### EZ FAFSA

There are a number of provisions related to simplifying the FAFSA. These include cutting the current number of questions by 50%. Considering the new criteria created in this law, we seriously question how that can be done and maintain the FAFSA's ability to screen students for basic Title IV eligibility. The Higher Education Opportunity Act also promotes creating an EZ FAFSA. We believe that there are some students for which this approach is ideal, specifically those eligible for and participating in TANF, SSI and other public service programs directed to documented low-income families or individuals. We are very concerned about the loopholes that a simplified form may create those with more complex financial circumstances. While we recognize all of the inadequacies of the current system, we urge the Department to approach FAFSA revisions cautiously and with sufficient testing to avoid creating more loopholes and unfairness into our already imperfect system.

We thank the Department for this opportunity to share our concerns.