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Advisory Committee on Student Financial Assistance

May 1, 1997

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The Honorable William F. Goodling
Committee on Education and the Workforce
U.S. House of Representatives
2263 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Goodling:

The Advisory Committee on Student Financial Assistance was established by Congress in the Higher Education Amendments of 1986 to serve as an independent source of advice and counsel to Congress and the Secretary of Education on student financial aid policy. The purpose of this letter is to transmit the Committee's reauthorization recommendations for improvements in four broad areas:

- access for low- and middle-income students;
- application and eligibility determination;
- loan program features; and
- management, systems and contracts.

The Committee's reauthorization recommendations are listed in the enclosure.

Improving Access

Since its creation, the Committee has identified improving access as its primary focus. As a result of extensive deliberations, the Committee has found that progress toward the federal government's primary role in higher education--promoting equal access for low- and middle-income youth--has seriously stalled; and that a renewed commitment to at-risk students is required to position our nation for the 21st century.

While the Title IV programs have done an excellent job in supporting entry to higher education for traditional, college-bound students, wide disparities in participation by family income continue to exist. Given that the gap in college going rates between low- and high-income students remains at 32 percentage points, it is imperative to refocus federal energy and resources on access during the upcoming reauthorization.

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An independent committee created by Congress to advise on student aid policy

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As a start, Congress and the Department of Education (the Department) must make a commitment to fund the Pell Grant program at a level that restores lost purchasing power. Congress has taken a first step by increasing the maximum Pell Grant to \$2,700. However, such progress must be continued if access for needy students is to be maintained and dependence on loan programs diminished.

Equally important is the need for the Department to develop a well-defined and broadly articulated federal strategy which clearly defines access goals and measures agency performance against those goals. This strategy must be based on a new way of thinking about access--in particular, one that uses a framework or model relating specific program interventions to specific participation targets, systematically estimating the funds necessary to narrow remaining gaps in participation by income, and reporting annually to Congress on progress.

Finally, the Department needs to make a quantum improvement in the quality of information provided to students, parents and counselors about academic preparedness, college costs and financial aid. Available data suggest that needy families do not have sufficient information to make wise choices about investments in higher education. Alarmed and confused by constant reminders in the media that college costs appear to be prohibitively high and escalating rapidly, these families, for whom the Title IV programs were created, usually learn far too late of their eligibility for federal, state and institutional aid. They never learn how such aid can make college attendance and graduation possible, along with dramatically greater economic opportunity and significantly higher lifetime income.

In order to address this problem, the Department must communicate directly and effectively, in middle school, the average amount of assistance that similar needy families with children in college are currently receiving in the form of federal, state and institutional aid. Only when armed with such data will poor families understand their true college costs and be able to formulate realistic expectations about their future and make rational choices about programs of study in high school.

Since the TRIO programs constitute the federal early outreach effort under the Title IV programs, they are the appropriate place to start in reinventing the federal access strategy. However, limited funding permits TRIO to serve only a small portion of eligible students--less than 10 percent of those eligible--late in their high school years. With additional resources, the programs could effectively benefit many more students by improving academic preparation and decision-making related to college. The TRIO programs must be strengthened and expanded if any progress is to be made in equalizing higher education participation.

Two other policies are critical to making and sustaining progress toward equal access. First, the current system of remediation which permits students to take remedial courses as an integral part

of the college curriculum must be maintained and strengthened. Proposals seeking to "raise standards" by stripping away federal student aid for remedial courses make the task of improving access exceedingly more difficult and must be avoided. Second, it is important for the federal government to encourage states to maintain and increase state grant aid for the neediest students.

Improving Application and Eligibility Determination

In accordance with its mandate from Congress, the Advisory Committee has been exploring need analysis and the financial aid delivery system since 1988. The Committee's interest focuses on assuring that low- and middle-income students are not denied access to higher education because of deficiencies in the mechanisms by which aid is awarded and disbursed. It is essential that other opportunities to improve the mechanisms--forms, processes and models--used to deliver the Title IV programs are explored to eliminate unintentional barriers to access through unnecessary complexity and burden.

Great strides have been made by Congress and the Department in simplifying and integrating application and eligibility processes to provide optimal service for institutions and students. Implementation of the Free Application for Federal Student Aid (FAFSA) has resulted in nearly 8.5 million students--95 percent of recipients--receiving all types of aid through the submission of the FAFSA alone. Currently, 48 states use the FAFSA exclusively. In addition, reapplication--that is, permitting continuing students to update existing data rather than start with a blank form--has benefited 3.4 million students.

However, in spite of the success of the FAFSA, the application process has remained largely paper-bound. In 1996-97, only one in seven applicants used electronic processing for applying or reapplying for federal student aid. Even FAFSA EXpress--the Department's PC-based software which allows students to apply electronically--has had limited success; fewer than 60,000 applicants applied using this system. While some forms of electronic processing have increased for 1997-98, less than nine percent of the applications have been submitted electronically.

The Advisory Committee believes that it is important to build upon the success of the FAFSA in two ways. Implementation of an interactive student aid application on the World Wide Web with an electronic signature and adoption of a master application hold great potential for further reducing burden and streamlining the application more effectively than ever before possible. These two changes--using the latest technology--would greatly improve the application process for students and institutions. The Department must also ensure the use of its electronic applications, particularly by at-risk students and students served by TRIO.

Another opportunity for simplification is improving and maintaining the simplified needs test, including the "automatic zero" family contribution for the poorest families. The 1992

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Amendments extended eligibility under simplified need analysis to families with adjusted gross incomes of less than \$50,000, who file simple tax returns or are not required to file tax returns. In award year 1996-97, four million students qualified for the simple needs test; however, some students still completed the entire form. A more effective electronic application process can help eliminate barriers to the simple needs test on the paper application.

While modifications to the need analysis formulas in the 1992 Amendments have had positive effects and wide support in the financial aid community, there were unintended consequences in the need analysis treatment of single independent students without dependents and on dependent student earnings. The President's bill and recommendations from presidential associations will restore Pell eligibility for single independent students by changing the need analysis formula, however, the Committee believes that the treatment of dependent student earnings must also be addressed to ensure that the Pell program does not discourage persistence of low-income students who work while in school.

Improving the Loan Programs

The Advisory Committee has spent four years conducting two congressionally mandated studies of the Federal Family Education Loan Program (FFELP) and the Ford Federal Direct Loan Program (FDLP). Our recommendations for the loan programs are based on principles that promote: streamlining and standardizing processes, decreasing institutional and student burden, and integrating student loans into the Title IV delivery system. Most recently, the Committee recommended to Congress that each institution should have the right to choose the loan program that best serves its needs. Each program has benefited materially from the other, and competition has led to much better service for students and institutions.

Several specific improvements will ensure that these two programs, existing side-by side, will continue to provide students and institutions with enhanced services and performance. Both the FFELP and FDLP would benefit from an electronic, multi-year line of credit promissory note, and the elimination of loan disbursement limitations such as multiple disbursements of single semester loans and a 30-day delay in disbursing loans for first-year, first-time borrowers.

In the FFELP, establishing a national delivery system integrated into Title IV delivery--using the FAFSA as the loan application--will minimize student and institutional burden and improve program accountability. Implementing a single source borrowing rule--ensuring a borrower's loans are guaranteed by one agency, originated by one lending institution, and held by one secondary market or lender--and requiring lenders to refinance loans at the borrower's option will reduce complexity for students. Finally, extending repayment options to include income-contingent repayment with loan forgiveness will provide more flexibility for borrowers.

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In addition to the recommendations above, the Committee will explore the issue of interest rate variation within and between the loan programs at its summer meeting. Any recommendations resulting from these deliberations will be transmitted to Congress in the fall.

Improving Management, Systems and Contracts

The federal commitment to access to postsecondary education relies on the delivery of federal student aid--over \$40 billion annually. This is an enormously important and complex activity rivaling many of the largest financial services corporations, including American Express.

Ensuring efficiency, promoting program integrity, and avoiding system failure require an effective organizational structure, advanced financial systems, and tight contract administration. Yet the Department continues to conduct its student aid business through an organization without large-scale financial systems experience and with a dozen, outdated legacy computer systems that are inordinately expensive--\$325 million in FY 1997, vulnerable to fraud and abuse, and prone to failure. Overlaying this fragmented, inefficient management and systems structure is a web of large, uncoordinated, uncompetitive contracts which fail to deliver on time and produce unacceptable cost overruns.

It is imperative that the Department be required to reengineer the systems and contracts that deliver Title IV student aid. Over the last three years, the Advisory Committee has made several recommendations to Congress and the Secretary designed to improve the Department's management, systems and contracts. All of these recommendations have been corroborated and reinforced by independent studies by the Department's Inspector General (IG) and the General Accounting Office (GAO). But the Department has to date rejected the most important recommendations. Thus, there is growing public sentiment, including the reauthorization recommendations submitted by the American Council on Education (ACE), that Congress consider "fundamental changes in the way student aid is delivered." In delivering its recommendations, ACE stated that the Department's systems do not provide the information necessary for effective decisions, are not customer friendly, and the administrative costs for both the Department and institutions are inordinately high and unnecessary. Concern about the Department's management has caused some to propose taking responsibility for Title IV delivery from the Department.

While the Advisory Committee feels that alternative structures should be explored, our members continue to believe that the management of Title IV systems and contracts should remain within the Department. Both the Committee and the IG have recommended that the Department implement a performance-based organization under a nonpolitical chief executive officer (CEO)

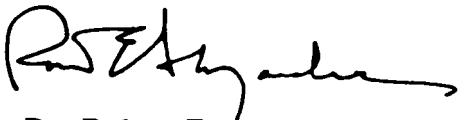
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with full personnel and contractual authority. If the Department refuses to restructure in this manner--and is not required to do so by law--little progress will be made in modernizing its systems.

I want to thank you for the opportunity to submit our suggestions. Our Committee recognizes and appreciates your dedication to improving and strengthening American higher education.

An identical version of this letter has been sent to Congressman William Clay and the Committee on Labor and Human Resources. If our Committee can be of further assistance, please contact our staff director, Dr. Brian Fitzgerald at 202-708-7439.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert E. Alexander", with a long, sweeping horizontal stroke extending to the right.

Dr. Robert E. Alexander
Chairperson

Enclosure

cc: Advisory Committee members
 The Committee on Education and the Workforce
 The Committee on Labor and Human Resources
 The Honorable Richard W. Riley
 The Honorable Marshall S. Smith
 The Honorable Judith A. Winston
 The Honorable David A. Longanecker
 Ms. Maureen A. McLaughlin
 Ms. Elizabeth M. Hicks

HEA REAUTHORIZATION RECOMMENDATIONS

Advisory Committee on Student Financial Assistance

Improving Access

- Require a comprehensive federal strategy to ensure equal access to higher education.
- Define and measure access in terms of shortfalls in participation by family income.
- Develop specific national targets for increasing participation rates by family income.
- Link specific program enhancements to well-defined national access targets.
- Establish a system for tracking at-risk students through the entire educational sequence.
- Monitor and evaluate progress at each stage against specific national targets.
- Report to Congress annually on progress in improving participation by family income.
- Require dissemination of early information on how financial aid reduces college costs.
- Require an easy and accessible system of early eligibility determination.
- Improve federal outreach efforts through the TRIO, HEP and CAMP Programs.
- Support remediation through Title IV programs at postsecondary institutions.
- Reaffirm the federal commitment to maintaining and expanding state grant aid.

Improving Application and Eligibility Determination

- Require implementation of an electronic application and signature.
- Further streamline the reapplication process through adoption of a master application.
- Explore opportunities to improve the simplified needs test.
- Improve treatment of dependent student earnings and single independents in need analysis.

Improving both the FFELP and the FDLP

- Develop an electronic, multi-year line of credit promissory note.
- Eliminate loan disbursement limitations.

Improving the FFELP

- Utilize the Free Application for Federal Student Aid (FAFSA) as the loan application.
- Integrate the Federal Family Education Loan Program (FFELP) into Title IV delivery.
- Implement a single source borrowing rule for students.
- Require lenders to refinance loans at the borrower's option.
- Include an income contingent repayment option.

Improving Department of Education Management Systems and Contracts

- Require reengineering of Title IV systems and contracts for efficiency and integrity.
 - Restructure management using a performance based organization led by a nonpolitical CEO.
-

February 1997

Dear NASFAA Member:

On behalf of NASFAA's Reauthorization Task Force, we enclose a second set of NASFAA's preliminary reauthorization recommendations for your review and comment. These recommendations tackle more controversial issues, identified through NASFAA's hearings and extensive member comments.

As you know, for over a year, NASFAA's Reauthorization Task Force has held numerous meetings and conference calls; reviewed the Higher Education Act (HEA) section-by-section; conducted thirteen reauthorization hearings across the nation this past fall; and has sought member comment throughout its deliberative process. The Task Force mailed its first set of reauthorization proposals for comment in October 1996. These were approved by the Board of Directors in November 1996 and transmitted to the Congress in early February 1997.

This document contains 54 recommendation topics labeled numerically with sub-recommendations labeled alphabetically. We encourage your comments on all recommendations presented, but especially on the first two issues presented in this paper: the grant/loan package and the FFEL Direct Loan Program "level-playing field" recommendations. The recommendations in these issue areas are complex and multifaceted. In addition, at the end of each major Title IV program area, we have included those recommendations that have been approved by NASFAA's Board of Directors which have been transmitted to the Congress.

The Task Force, while completing a major portion of its work with publication of this document for membership comment and Board of Directors action, continues to consider other new issues that are not addressed in these recommendations or in those already transmitted to the Congress. In March, the Task Force expects to forward to you this third set of additional recommendations.

The NASFAA Board of Directors will consider these recommendations at its April 1997 meeting. The critical element throughout this whole process is your continued input. We hope that you will comment on these recommendations by e-mail at the Task Force address (RTF@SMTP.NASFAA.ORG) or fax your replies at (202/785-1487) by **March 7, 1997**. We understand that we are asking for a very quick response, but, in addition to this printed version, this document was also posted on PEN. Our continued goal is to make NASFAA's process as open as possible so that our recommendations represent the best ideas and the interests of student financial aid administrators and students from across the country.

Sincerely,

Signed by

Dallas Martin
President

John Curtice
Reauthorization Task Force Chair

KEY TO USING THIS DOCUMENT

This document contains 54 issue recommendations with sub-recommendations. The 54 recommendation topics are labeled numerically with sub-recommendations labeled alphabetically with numerical subdesignations, if necessary, following. The preliminary recommendations the Task Force is requesting comment upon are in this typeface "Times New Roman."

In order to give the membership a fuller picture of the total NASFAA reauthorization recommendation package, we have included 56 issue recommendations with sub-recommendations that have already been approved by the NASFAA Board of Directors and has been transmitted to the Congress. These previously approved recommendations are in this typeface "Helvetica." Old and new recommendations are clearly marked by designations at the beginning and end of each section of previously approved recommendations in the Helvetica typeface.

Contact any of the following Reauthorization Task Force (RTF) members for additional clarification

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Larry Zaglaniczny, Ken McInerney, and Marty Guthrie are the NASFAA staff liaisons to the Task Force. They can be reached at the NASFAA Office by e-mail (rtf@smtp.nasfaa.org) or phone (202/785-0453) or by fax (202/785-1487)

**Preliminary Recommendations of NASFAA Reauthorization Task
Force
Part Two
February 1997**

1. Grant/loan package. (Several sections of the Act)

Recommendations:

Change Federal Pell Grant Program as follows:

- a. *Authorize the Federal Pell Grant Program as a true entitlement program.*
- b. *Increase authorized Federal Pell Grant maximum award to \$5,000.*
- c. *Increase maximum by \$200 per year for length of authorization.*
- d. *No change in Federal Pell Grant minimum award at this time.*
- e. *Oppose front-loading of Federal Pell Grants.*
- f. *Oppose any cap on the number of students or years.*

Change the Federal loans programs (FFELP and Direct Loan Program) as follows:

For undergraduate borrowers

- g. *Provide \$5,500 base loan amount for each undergraduate year, eliminating differential loan amounts by class year.*
- h. *Provide for additional unsubsidized loans a maximum of \$5,500, i.e. independent undergraduates/PLUS denial borrowers for each undergraduate year.*
- i. *Increase loan maximums by \$300 in the third and fifth years of the authorized bill.*
- j. *Set aggregate base loan limit of \$28,700.*
- k. *Permit schools to approve a lower loan maximum than that provided in the Act, except schools could not reduce the PLUS limit (Note: already approved by NASFAA Board of Directors).*

For graduate and professional student borrowers

- l. *Provide \$10,000 base loan.*
- m. *Allow for additional unsubsidized loan maximum of cost of attendance minus other aid.*
- n. *Increase base loan by \$500 in third and fifth years of the authorized bill.*
- o. *Set aggregate base loan limit of \$80,700 (including undergraduate borrowing).*

For PLUS Loan borrowers

- p. *Retain PLUS gateway without change (e.g. allow unsubsidized loan eligibility for dependent students whose parents are denied a PLUS loan).*
- q. *Retain current PLUS adverse history requirement and reject credit checks or debt-to-income tests.*
- r. *Retain PLUS loan limit unchanged, except that financial aid administrators would not be permitted to establish a lower PLUS limit (Note: already approved by NASFAA Board of Directors).*

Rationale and background: The Task Force struggled with grant/loan imbalance, student debt burden, accessibility, and related issues. After much thought and debate,

the Task Force makes this comprehensive proposal for consideration by the membership to strike a balance and symmetry in this area that would better serve students and schools and make programmatic sense. The Federal Pell Grant and federal student loan recommendations are a complementary policy package and the Task Force urges their consideration as a total plan to assist in financing a postsecondary education.

Twenty years ago the Federal Pell Grant maximum award was set at \$1,400. In last year's appropriation (FY-97), the maximum award was set at \$2,700. The award has not kept pace with inflation. The Federal Pell Grant Program's purported purpose to be the foundation of award packages for students and families of limited economic means has diminished. Last month, the Washington Post noted in a news story, "The purchasing power of the Pell Grant has fallen 37 percent since 1980, according to the Department of Education." President Clinton has recommended a \$300 increase for FY-98 in the maximum award bringing it to \$3,000. The Post article continues, "If the expansion recommended by Clinton is approved by the Congress, the value of the award would still be 27 percent less than it was worth in 1980."

Through this proposal, the Task Force presents the Congress with appropriate policies to ensure access to postsecondary education for the five years covered by this reauthorization bill. Some may argue that Congress will never create a true entitlement for the Federal Pell Grant Program. The Task Force notes in the 1992 reauthorization both the House and Senate authorizing committees reported bills containing a Federal Pell Grant entitlement. Further, the Task Force believes that, if the grant/loan imbalance is to be corrected, then there needs to be an assurance of funding and an entitlement program is the only conceivable legislative option. The Task Force also notes President Clinton recommended creation of a new postsecondary student assistance entitlement program targeted on middle-income Americans. The Administration's tax entitlement proposals would implement both a \$1,500 tax credit (Hope Scholarships) and \$10,000 tax deduction for postsecondary expenses. The Task Force believes if middle-income citizens are to receive the benefits of a tax expenditure entitlement program such as the president proposes, then low-income families should have access to Federal Pell Grant Program funds that are guaranteed and not subject to vagaries of the congressional appropriations process. The Task Force suggests that low-income Americans should have the same federal entitlement to Federal Pell Grant assistance that the president would guarantee through the tax system for middle-income Americans.

Grants

On the grant side of the equation, the Task Force is recommending policies that address access to postsecondary education and an assurance of grant funding for the five-year life of the reauthorization legislation. It also takes into consideration the reality of college costs now and in the future.

The recommended increase in the Federal Pell Grant maximum award to \$5,000 and

the \$200 annual increase in the maximum thereafter is based on past NASFAA Federal Pell Grant reauthorization proposals. The \$5,000 recommended maximum award amount accomplishes two purposes. First, it recognizes the necessity to increase grant funding for students, not only to redress the reduction in purchasing power of Federal Pell Grants, but also to redress the shift away from grants to loan funding for many Title IV aid recipients. This figure also presents the Congress with a maximum award level that realistically represents the essential need of students for Federal Pell Grant funding given where college costs are now and, in the future, if this program is truly to be the foundation of aid packages.

The Task Force does not recommend an increase in the minimum Federal Pell Grant at this time, but recognizes that the level of the minimum Federal Pell Grant may be adjusted in reauthorization. This may occur when the debate is joined regarding the income groups served by Title IV programs and the President's tax proposals, e.g. the HOPE Scholarship \$1,500 tax credit and \$10,000 deduction for postsecondary expenses.

The Task Force opposes caps, either on the number of students served or a limitation on years, in the Federal Pell Grant Program. Recent congressional appropriations bills have capped the number of students eligible for the program. Fortunately, those caps have not been breached, but if they were, then the program would be turned into a first-come, first-served program which would disadvantage late filers. The Task Force considered and, then, rejected turning the Federal Pell Grant Program into a front-loaded program. The Task Force believes if this proposal is accepted by the Congress, that decision would do much to redress the grant\loan imbalance and reduce student debt burdens without the acute restructuring of the aid system resulting from front-loading Federal Pell Grants.

Loans

For federal student loan policy affecting both the FFEL and Direct Loan Programs, the Task Force, again, reiterates its cautionary note that the loan recommendations cannot be considered out of context. The loan recommendations are part of a package that complement the Federal Pell Grant recommendations.

For undergraduate students, the Task Force recognizes that the cost of education for a first-year or second-year student is no less than that for juniors and seniors. Costs for first-year students may even be higher than for other classes since there are one-time purchases that are not repeated. The point is freshman and sophomores have the same tuition, room and board, and academic supply costs as upperclassmen. Consequently, the Task Force recommends eliminating loan maximums in the FFEL and Direct Loan Programs determined by year of study. Instead of three Stafford annual loan limits, the Task Force recommends a base-year loan maximum of \$5,500 per year for all undergraduates. Therefore, undergraduate annual loan limits would be consistent during a borrower's program of undergraduate study. Similarly, additional undergraduate unsubsidized loan availability would be capped at \$5,500 per year under

the Task Force proposal. To account for increases in college costs, the Task Force suggests these annual limits (base year/additional unsubsidized) rise by \$300 in the third and fifth years of the reauthorized HEA.

Sensitive to arguments that students are borrowing too much, a Task Force recommendation, already approved by the NASFAA Board of Directors, assists in this matter. That recommendation would allow postsecondary institutions to set lower annual loan maximums on an institution-wide basis or by program or by class year. Thus, schools will have the ability to annually set loan limits that are lower than those allowed under the HEA. Several sample explanations of the flexibility allowed under this proposal follow.

For example, the base federal loan limit is \$5,500 and School W sets its base loan limit at \$3,000. School X may decide the base loan limit of \$5,500 is appropriate, but may decide to set a \$0 additional unsubsidized loan limit--in other words, the school has determined that its students will be eligible only for subsidized Stafford loans and that School X will not participate in the unsubsidized loan program. School Y has decided for one of its eligible programs with lower costs due to its length will have a base loan limit of \$3,500 while all its other eligible programs are set at the full federal maximum of \$5,500. School Z may decide that it wishes to use its own resources and front-load its grants for freshmen and sophomores and allow juniors and seniors to borrow more. Consequently, School Z sets its base loan limit at \$2,000 with the additional unsubsidized Stafford set also at \$2,000 for freshmen and sophomores. School Z under its grant-front loading policies would allow juniors and seniors to have the full federal loan limit levels, \$5,500 base year and \$5,500 additional unsubsidized loans.

This Task Force recommendation gives schools the greatest flexibility to structure annual loan limits and institutional packaging policies and, at least, where loan limit policy is concerned breaks the "one size fits all" annual loan limit policy as is currently in the HEA. The Task Force recognizes this proposal to limit borrowing will result in a need for increased communication and consumer information for students, parents, and high school guidance counselors explaining the differences in costs of schools and the loan maximum policies selected by postsecondary institutions.

In making these recommendations the Task Force suggests that increasing loan limits for first- and second-year borrowers will allow many students to stay within one federal loan program and not turn to private sector, non-federal loans. It also notes that loan limits for freshmen are at the level set by the 1986 HEA reauthorization. The Task Force recommends modest and responsible increases in these annual loan limits of \$300 in the third and fifth years covered by this reauthorization legislation for both programs (subsidized and unsubsidized) to address necessary adjustments for inflation.

The Task Force proposal meets the needs of graduate and professional students with a modest increase in the base year loan limit to \$10,000. The additional unsubsidized loan program would be limited to cost of attendance minus other aid which would allow graduate and professional students, by-and-large, to borrow from the federal loan

programs and avoid private loans. In the third and fifth years covered by this reauthorization, the base year limits of \$10,000 would rise by \$500 each year. Again, graduate school financial aid administrators would have the same ability to implement loan limits lower than those authorized in the HEA as would undergraduate aid administrators under the Task Force proposal.

Following from these annual loan limits, the Task Force would set the undergraduate base year aggregate loan limit at \$28,700 and the aggregate base loan limit of \$80,700 for graduate and professional students. The Task Force recognizes aggregate loan amounts would necessarily need to be increased in the years after the five-year effective span covered by this reauthorization due to the third and fifth year increases in loan amounts as proposed by the Task Force. Another NASFAA reauthorization committee and Congress would need to consider such action at that time. However, if grant aid rises during the period of a reauthorized Act, as proposed by the Task Force, then such a change in aggregate loan limits may not be needed.

The Task Force makes no change in the HEA governing the ability of dependent students to borrow unsubsidized loans if their parents cannot borrow the full amount of a PLUS loan or are denied such a loan. The Task Force finds little evidence that the current system is not working regarding PLUS borrowing and, therefore, recommends neither a change to institute credit checks nor debt-to-income ratio tests as a prerequisite to obtaining a loan leaving the current adverse history requirement in place. The Task Force also would not place an annual limit on PLUS borrowing.

The Task Force is interested in the membership's views of this grant and loan package recommendation. The Task Force has listened to the comments of the membership in this area and has attempted to craft a balanced and complementary policy--a policy that recognizes the realities of postsecondary finance, the debt burdens of borrowers, the need for grant dollars and the assurance of such funding, and the responsibilities of all partners in meeting the financial needs of families and students.

2. Level playing field issues between FFEL and Direct Loan Programs. (Parts B, D, and other sections of the Act)

Note: Unless otherwise noted, recommendations below apply to both the FFEL and Direct Loan Programs.

2a. Participation in William D. Ford Direct Loan Program (Section 453 and several other sections of the Act)

Recommendations: The Task Force makes the following recommendations regarding participation in the FFEL and Direct Loan Programs.

- 1) Prohibit any limit or cap on institutional participation in Part B or D program.***
- 2) Allow schools the freedom to choose which federal loan program to participate in.***
- 3) Prohibit conscription into either program.***
- 4) Prohibit student authority to select either a FFEL or Direct Loan.***

Rationale: The Task Force recommends maximum freedom in the choice of institutional participation in either the Part B or Part D loan programs. It opposes efforts to limit or

cap participation in either loan program since schools will choose whichever loan program best meets the needs of its students and the institution. As an analogous principle, the Task Force recommends clarifying the law so that schools cannot be drafted by any means to participate in either loan program or be arbitrarily terminated from participation in one program or another without cause.

Finally, the Task Force opposes legislative efforts which would allow student borrowers to select whichever loan program they may wish. Allowing students at a FFEL Program school to select a Direct Loan (or vice versa) would result in severe administrative complications, errors, and costs as schools try to administer two loan programs. However, if another Task Force recommendation is approved, then student borrowers could select either program to consolidate their loans.

2b. Lender discrimination (Section 421 (a)(2))

Recommendation: Prohibit lenders from not lending to particular schools or students and prohibit lenders from requiring procedures, administrative measures, or fees based on the type of school. Applies only to FFELP.

Rationale: The Task Force believes that any lending participant in the FFEL Program must not discriminate among schools or students in their lending or administrative practices (such as requiring different procedures, administrative measures, or fees based on the type of school or student body served). The Task Force believes if a lending institution wishes to participate in the Title IV loan programs, then it must lend to all eligible students attending all eligible postsecondary institutions. Acceptance of this recommendation would prevent the so-called "creaming" of low-risk borrowers and, finally, end what many see as discrimination in the FFEL Program.

2c. FAFSA use for FFEL Program (Section 483(a))

*Recommendations: 1) Permit the FAFSA to be used for FFELP application.
2) Minimize number of data elements resulting from 1).*

Rationale: The Task Force recommends that the FAFSA be used as the application for the FFEL Program. This recommendation would benefit students by simplifying the Title IV application process and is essential to equalizing the treatment of both loan programs. However, the Task Force also recommends that in accomplishing this service for students, schools, and lenders that the complexity of the form and number of data elements be kept to the smallest level necessary to provide needed data.

2d. Repayment incentives (New section)

Recommendations:

- 1) Allow an immediate interest rate reduction of .25 percent for borrowers who choose to repay their loan by direct deposit.*
- 2) Modify HEA so that by repaying a loan consistently and on-time for four years borrower's interest rate is reduced by 2 percent.*
- 3) Prohibit all other incentives to borrowers, including repayment incentives, not authorized by the HEA, unless expressly approved by the Congress. Apply provisions 1) and 2) for new loans and implement one year after the date of enactment of the reauthorized HEA.*

Rationale: The Task Force suggests borrowers benefit from either efficiencies of

repayment or for on-time and consistent repayment of their loans. The Task Force believes this would result in higher loan repayment rates and that borrowers should be encouraged and benefit from appropriate and responsible behavior. Direct deposit could be automatic from a borrower's personal checking account or accomplished by their employer from the borrower's compensation or by other Electronic Funds Transfer methods. Four year consistent loan repayment may be accomplished using the suggested direct deposit method or by the normal means of loan repayment selected by borrowers, e.g. writing and mailing a check. At the same time, any further inducements, including repayment incentives, offered by the private sector or the Department and not approved by the Congress would be banned to preserve level playing field principles.

2e. Consolidation FFEL and Direct Loan Programs (Section 428C)

Recommendations: 1) Allow Direct Loans to be consolidated into FFELP consolidation loans, but without the special lender subsidy for the Direct Loan portion.

2) Require FFELP consolidation loans be on the same terms as the Direct Loan Program, e.g. a variable interest rate capped at 8.25 percent.

Rationale: The Task Force makes the above recommendation as part of a level playing field initiative to provide the same terms and conditions for both the FFEL and Direct Loan Programs.

2f. Students ability to change repayment plans (Section 455(d)(3))

Recommendation: Retain current ability of students to change repayment plans.

Rationale: Students should have the ability to annually change their repayment plans as they may under current law. The Task Force believes this flexibility is useful for an individual who develops cash flow problems or, conversely, whose personal economic situation has positively changed and needs a different loan repayment plan that better suits his or her financial situation.

2g. Guarantee fee and federal financing (Several section of the Act)

Recommendation: Eliminate 1 percent guarantee fee paid by students in the Part B and D programs and provide by the federal government such lost payments for guaranty agencies.

Rationale: The Task Force makes this recommendation to benefit students in both the FFEL and Direct Loan Programs. It believes the purpose of this fee is the responsibility of the federal government and not students. The Task Force recommends eliminating this fee paid by students and that the federal government provide guaranty agencies such necessary payments lost by the elimination of borrower payment of the fee.

3. Block Grants

General recommendation for campus-based programs, specifically, and for Title IV, generally: Oppose any block grant proposal.

Rationale: The Task Force believes the current decentralized system inherent in the campus-based programs does meet many objectives of proponents who argue federal student aid should be "block granted." The Task Force opposes proposals to block grant campus-based or other federal student aid. The Task Force is concerned that

proposals to block grant federal student aid only would lead to increases in administrative complexity on campus or in dealing with other agencies administering such block grants. If history is any guide, then the Task Force further is concerned that prior block grant legislation enacted by previous Congresses has led to decreased appropriations for those programs which were "block granted."

Federal Pell Grant Program

4. Federal Pell Grant disbursement (Section 401(e))

Recommendation: Retain the current regulatory treatment of Federal Pell Grant disbursement. Rationale: The Task Force believes giving students the option of determining whether their Pell disbursement is to be made over a traditional academic year or should include the summer session would greatly complicate Title IV administration on campus. Such an action would provide limited benefits to a small population and, therefore, the Task Force recommends retention of the current regulations and would not make such a change in the HEA.

Federal Pell Grant Program and other Part A recommendations already approved by NASFAA Board of Directors and transmitted to the Congress Numbers 1-12 as follows:

1. Issue: Federal Pell Grants for less than half-time students (Section 401(b)(2)(B))

Recommendation: Retain provision.

Rationale: NASFAA recommends retaining the statute allowing less than half-time students eligibility for Federal Pell Grants. NASFAA suggests that this authority is valuable for those schools whose mission, in part, is to serve such students.

2. Issue: Purpose and amount of grants (Section 401(b)(6), (7), (8))

a. Recommendation: Eliminate provision permitting two Federal Pell Grants in a single award year.

Rationale: While this provision may be useful in serving some students, in an era of tight appropriations, NASFAA recommends striking this provision as an economy measure.

b. Recommendation: Retain provision permitting higher grants for study abroad in specified circumstances.

Rationale: Retaining this provision will permit higher Federal Pell Grants for students studying abroad whose costs may be greater than those for on-campus students. NASFAA suggests this provision is a useful tool for aid administrators and enables them to better serve this group of students. This provision allows needy students the opportunity to study abroad and ensures that these opportunities are not limited to more economically advantaged students.

3. Issue: Period of eligibility for grants (Section 401(c))

Recommendation: Retain current length of eligibility provision.

Rationale: NASFAA considered options for change of this provision and concluded that the time frame in the current law gives students necessary flexibility to complete their programs of study.

4. Issue: Distribution of grants to students (Section 401(e))

Recommendation: Permit credits to students' accounts for books and supplies as well as tuition and fees and room and board.

Rationale: Allowing schools to credit students' accounts for verifiable charges for books and supplies would better serve students. This permissive language gives schools the option of streamlining operations and could be exercised without the student's permission. In the case of charges to book store accounts, NASFAA believes that students essentially "authorize" the payment of these charges through the initiation of the purchase.

5. Issue: Insufficient appropriations (Section 401(g))

Recommendation: Require the Secretary to seek needed funds if appropriations are insufficient.

Rationale: Under current law the Secretary informs the Congress of a Federal Pell Grant shortfall. The suggested change mandates that the Secretary and the Administration seek supplemental funding for any shortfall rather than reduce student awards.

Subpart 2: Federal Early Outreach and Student Services Programs

Chapter 2: National Early Intervention Scholarship and Partnership Program

6. Issue: Scholarship Component (Section 404D(c))

Recommendation: Prohibit scholarship plus other student financial assistance awarded using the eligibility determination system under Part F of this Title from exceeding student's federal program eligibility.

Rationale: While it may be generous to exclude such scholarships for the purpose of awarding other Title IV aid, NASFAA suggests that all sources of aid should be considered when awarding Title IV assistance to extend limited federal funding. The benefit afforded by this provision should be suspended to better serve all recipients of federal aid.

Chapter 3: Presidential Access Scholarships

7. Issue: Amount of award (Section 406B)(a)(1))

Recommendation: Increase maximum award to the greater of 50% (from 25%) of the recipient's Federal Pell Grant award or \$400.

Rationale: NASFAA suggests that doubling the percentage to expand the program's reach and to benefit such students would be a desirable public policy purpose.

8. Issue: Period of award (Section 406B(b))

Recommendation: Remove cumulative year limitations; instead permit awards for the period required to complete an undergraduate degree.

Rationale: NASFAA views this time limitation as arbitrary and instead suggests the time eligibility requirement for this scholarship parallel that for the Federal Pell Grant Program.

9. Issue: Assistance not to exceed cost of attendance (Section 406B(d))

Recommendation: Change "cost of attendance" to "amount of eligibility as determined under Part F."

Rationale: NASFAA suggests all sources of aid should be considered when awarding Title IV assistance to extend limited federal funding. Therefore, prohibiting scholarship assistance from exceeding the student's need will better serve all recipients of federal aid.

10. Issue: Requirements for students in first year of postsecondary education (Section 406C(a))

Recommendation: Eliminate option for student to participate in an eligible early intervention program as part of eligibility requirements.

Rationale: NASFAA recommends the elimination of this provision, since early intervention programs are not widely available to potential scholarship recipients and, therefore, would limit the number of individuals qualified for this program.

11. Issue: Student eligibility (Section 406E(a))

Recommendation: Eliminate requirement that student enroll or be admitted for enrollment within 3 years of high school graduation or receipt of equivalent certificate.

Rationale: The three-year limitation is incompatible with providing desirable flexibility to individuals whose enrollment in this program is delayed for reasons beyond their control (e.g., the ineligibility of an individual who meets all other program requirements, but must work for four years after high school graduation due to an illness of a parent.)

12. Issue: Chapter 6 National Student Savings Demonstration Program (Section 410A)

Recommendation: Retain language.

Rationale: Although this program has not received funding, NASFAA suggests it has potential to encourage savings for college and should be reauthorized and funded.

End of previously approved recommendations for this section of the law. New recommendations follow.

Federal Supplemental Educational Opportunity Grant Program

5. Federal SEOG Exceptional Need/Federal Pell Eligibility Criteria in HEA (Section 413C(c)(2))

Recommendation: The Task Force is split over the issue of tying the awarding of Federal SEOG to Federal Pell Grant eligibility and requests the opinion of the membership on what is the best course to take.

Option A. Retain current HEA treatment (e.g. the link between Federal SEOG and Federal Pell Grants.)

Option B. Same as Option A, except eliminate ranking by EFC.

Option C. Change HEA so that no less than 90 percent of FSEOG recipients are Federal Pell Grant eligible.

Option D. Change HEA so that no less than 75 percent of FSEOG recipients are Federal Pell Grant eligible.

For Options B, C, and D, schools would have authority to define exceptional need and may even utilize such definition on a campus-wide basis, on a program-by-program basis, or use professional judgment in this matter on a case-by-case basis. In no case would the Secretary have regulatory control over a school's definition of exceptional need for the Federal SEOG program.

Rationale: The Task Force discussed the linking of Federal SEOG to Federal Pell Grants and the exceptional need definition in the HEA at length. Some Task Force members believe the current HEA Federal SEOG treatment developed by the Congress is appropriate and targets the neediest of students. Other Task Force members suggest that some needy students are denied Federal SEOG assistance, and in some cases, are needier than Federal Pell Grant recipients. They suggest schools should have some flexibility in awarding these funds. Other Task Force members are sympathetic to the flexibility argument, but are concerned about the appropriate amount of flexibility to be given a school and, at the same time, meet congressional objectives that Federal SEOG serve low-income students. Therefore, the Task Force asks the NASFAA membership for its opinion on the proper recommendation to make to the Congress.

6. FSEOG match (Section 413C(a)(2))

Recommendation: Retain current Federal SEOG campus match.

Rationale: The Task Force believes the current federal/school partnership as exhibited by the campus FSEOG match is appropriate and should continue unchanged.

7. FSEOG for graduate students (Section 413B(b))

Recommendation: Oppose permissive language to make available FSEOG funds for graduate students.

Rationale: The Task Force opposes any recommendation that, while permissive, would allow graduate students to be FSEOG eligible. While the Task Force recognizes the important benefits of graduate study and, also, recognizes the special financial needs of graduate/professional students, it notes FSEOG historically has provided access for undergraduates and that Title IX of the HEA provides special assistance for graduate/professional students. The Task Force suggests that FSEOG funds already are limited and the program should continue as an undergraduate-only program to help reduce undergraduate debt burden and provide access to an undergraduate postsecondary education. The Task Force is concerned that extending FSEOG to graduate students only would increase pressures on financial aid offices from graduate school officials and, thereby, undergraduate students would lose limited campus FSEOG funding. Finally, the Task Force recognizes that FSEOG is gift aid and that graduate/professional students all are considered independent students under the Federal Methodology leading to difficulties in assessing need of individuals in this class of students.

**FSEOG Recommendations already approved by NASFAA Board of
Directors and transmitted to the Congress
Numbers 13-16 as follows:**

13. Issue: Purpose of Subpart (Section 413A(a))

Recommendation: Expand purpose statement by adding: "These grants continue to positively impact needy individuals to chose higher education as the gateway to realizing their own potential."

Rationale: NASFAA recommends adding this legislative language to strengthen the FSEOG purpose section.

14. Issue: Amount of grant (Section 413B(a))

Recommendation: Retain current minimum and maximum FSEOG award amounts.

Rationale: Few postsecondary institutions currently award large numbers of students the maximum FSEOG allowable under law. NASFAA suggests the current minimum and maximum award amounts continue to be fair, reasonable, and appropriate policy for the FSEOG Program.

15. Issue: Use of funds for less-than-full-time students (Section 413C(d))

Recommendation: Eliminate percentage references to less than full-time or independent students.

Rationale: NASFAA concludes grants must be available to these students if they are considered in the allocation data provided to the Secretary as required in current law. The required monitoring, however, increases administrative burden with little advantage to the intended beneficiaries.

16. Issue: Use and transfer of funds for administrative expenses (Section 413C(e))

Recommendation: Reinstate the ability to transfer FSEOG funds to other campus-based programs.

Rationale: Schools should have the flexibility to arrange their campus-based programs to best meet the needs of their student population. Such authority could be tied to a school's level of institutional grant funding. For example, if FSEOG represents a very small portion of the school's total gift aid, such transfer authority could enable the school to boost other campus-based programs such as FWS, if student needs so dictated.

End of previously approved recommendations for this section of the law. New recommendations follow.

State Student Incentive Grant Program

8. SSIG Subpart 4

Recommendation: Approve a higher education community recommendation to continue

the SSIG Program and modify SSIG to enhance federal/state funding.

Rationale: The Task Force supports continuation of the SSIG Program believing it is an important student aid program linking state and federal support of student financial aid. The Task Force rejects arguments that the program has served its original purpose.

The Task Force agrees with many in the higher education community and, with some in the Congress, that SSIG should be modified to better serve its original purpose and that purpose be expanded to include new activities to serve students and recognize a more diverse mission of state-provided assistance. The HEA would be changed so that whenever SSIG federal funding exceeds \$45 million, then states are required to match such addition funds two state dollars for every federal dollar. Such enhanced matching could be used for additional SSIG funding of student aid as is currently the practice or such additional funding could be utilized for the following activities: academic/merit bonus programs; transition to college/collegiate skills enhancement programs; early intervention programs; and/or state work-study programs.

The Task Force recommends monies for these new purposes be need based for students and not be used for program administrative expenses. The increased state matching funds for the new activities proposed would provide more "bang for the buck." Again, states would not be required to provide funds for such activities; they could increase their current program funding.

Part B Federal Family Education Loan Program

Note: Given the structure of the Act and the art of placement of legislative language in the Act, unless otherwise noted, the following FFELP recommendations also apply to the Federal Direct Loan Program as well.

9. Student loan interest rate (Section 427A and 455(b))

Recommendation: Maintain current interest rate structure and formula, unless lower rate structure and formula is a viable option.

Rationale: The Task Force recommends continuation of the current interest rate structure for both the FFEL and Direct Loan Programs. If viable alternatives develop in the reauthorization process, then the Task Force recommends NASFAA work for such lower than current interest rates for student borrowers.

10. Loan subsidies (Sections 427(a)(2), 428, 428B(d), 428C(b) & (c), 428H, 428J, 437, 437A, and 455)

Recommendation: Retain current loan subsidies to students, including but not limited to in-school subsidy, grace period, etc.

Rationale: The Task Force supports the continuation of the federal student loan subsidies in the belief that they are appropriate student benefits. Several of these subsidies, if eliminated, would increase student loan debt and others help students remain in-school free of additional costs.

11. Denial of loan or lower amount of loan (Section 428(a)(2)(F))

Recommendation: Relocate financial aid administrator authority to reduce/deny loans to Section 479A.

Rationale: The Task Force believes this provision is better placed in Section 479A of the Act along with other professional judgment HEA provisions. This will, the Task Force believes, strengthen the ability of financial aid professionals to exercise their judgment in this regard. Also, it can provide borrowers with better counseling and can become a more effective debt management tool.

12. Loan proration (Section 428(b)(1)(A))

Recommendation: Apply loan proration only to a program of study of less than one academic year.

Rationale: The Task Force believes loan proration is administratively complex and is mandated by the law, in several cases, inappropriately. The Task Force recommends a targeted loan proration applying only for students in a program of study that is less than one academic year. The Task Force believes the current HEA carries proration too far and that loan proration as a policy is better utilized for this limited class of students and programs. Other current prorations would be eliminated.

13. Automatic in-school deferment (New section)

Recommendation: Allow schools to automatically provide student borrowers an in-school deferment in the case of individuals returning to their studies.

Rationale: Schools would have the ability to initiate an in-school deferment rather than continue for students the current confusing process. Under the Task Force proposal, schools could automatically initiate an in-school deferment for the student. The student would get a notice from the lender or servicer and could, if he or she chose to do so, continue to make loan payments.

14. Loan consolidation for married borrowers (Section 428C(a)(3)(C))

Recommendation: Retain current treatment.

Rationale: The Task Force discussed possible modification of the HEA to respond to equity concerns in the case of borrowers who consolidated their loans and, later, divorce. After examining a number of alternatives, the Task Force concluded each alternative either would not meet an equity test in the case of divorced individuals or would not be realistic when confronting the facts of the legal system and divorce courts. Therefore, while equity concerns remain, the Task Force believes those are best left to sorting out in divorce settlements or by the courts. At the same time the Task Force continues to believe the option of consolidation for married borrowers is a useful tool, in certain cases, where each individual is adequately counseled about loan costs and possible future consequences, including divorce.

15. Forgiveness of grant repayment in the event of death (Section 437)

Recommendation: Allow grant repayment to be waived in event of student's death.

Rationale: Currently loans, including PLUS loans, may be forgiven in the case of the death of a student. While such cases are rare, the Task Force believes this

compassionate act should be extended in the cases where an individual dies and has a grant repayment pending.

16. Cohort default rate (Section 435)

Recommendations: a) Exempt from cohort default rate provision schools that have either: 1) less than 10 percent of its enrollment who attend at least half time who borrow, or 2) the school has less than \$50,000 in defaults.

b) Modify the mitigating circumstances provision to permit appeals from schools whose Pell-eligible population is greater than two-thirds of the school's undergraduate enrollment. If an institution did prove that its Pell-eligible population is greater than two-thirds of the school's undergraduate enrollment, then the appeal would be automatically granted by the Secretary.

Rationale: While the Task Force considered but was unable to find a substitute, perhaps a more complex, formula or index to measure schools for ineligibility based on cohort default rates, it would support such a reasonable substitute if one were developed. The Task Force, however, notes that schools that make an effort to keep costs down and/or counsel students away from borrowing are penalized under current law. Such schools should not find their eligibility at risk for such efforts and the Task Force would grant relief for those institutions by not counting in a three-year cohort default rate eligibility determination any year when it meets either of the above tests. In other words, if a school had a default rate of 26 percent in one of the rolling three test years, but had fewer than 10 percent of its enrollment who attend at least halftime who borrow or had less than \$50,000 in default in that year, then the result would be the same as if the school had a default rate lower than 25 percent: It does not count toward making the school ineligible.

Aware that many defaults come from low-income groups often most in need of educational services, the Task Force would add an additional mitigating appeal circumstance so as not to punish those schools whose overwhelming mission is the service of low-income individuals. The Task Force would modify the mitigating circumstances appeal process under which a school may challenge a default rate cut-off to include schools whose Pell-eligible population is greater than two-thirds of the school's undergraduate enrollment. If the school proves this, then the Secretary must approve such an appeal.

17. Bankruptcy and resumption of Title IV eligibility (Section 437)

Recommendation: Bring to Congress's attention that students who default may become Title IV eligible if they make 3 or 12 consecutive payments on the defaulted loan (number depends on the program) . At the same time, individuals who discharge their student loans in bankruptcy are automatically Title IV eligible for new loans.

Rationale: The Task Force would bring to the attention of Congress the disparity in the treatment of regaining eligibility for Title IV aid between those that default and those who declare bankruptcy. The Task Force urges a congressional solution to the bankruptcy/assumption of debt problem, however, federal bankruptcy law precludes a simple HEA reauthorization solution.

18. Choice of lender (New section)

Recommendation: Provide that if a borrower does not indicate a choice of lender, the school has the authority to select a lender for such borrower. Applies to FFELP only.

Rationale: In those instances when borrowers do not indicate a choice of lender on their application, schools choose one for the borrower. The Task Force, recognizing that this is a grey area of the law, would codify this practice. Schools could, then, choose a lender it believes best serves the interests of the borrower. As is true in current practice, if the borrower does indicate a choice of lender, then the school would honor that choice.

19. Loans for remedial students (Section 401(c) and new FFEL/DL Program sections)

Recommendation: Allow students taking remedial courses Title IV eligibility for the equivalent of one academic year. This is a modification of an earlier Task Force recommendation accepted by the NASFAA Board of Directors which only applied to the Federal Pell Grant Program.

Rationale: The Task Force suggested, and the NASFAA Board approved a recommendation, that students taking remedial courses have Federal Pell Grant eligibility for no more than the equivalent of one academic year. The Task Force modifies this recommendation to apply to all Title IV programs. The Task Force believes the equivalent of one academic year's Title IV eligibility for remedial coursework is a responsible limitation. It would encourage students to receive the skills they need to succeed academically and exclude eligibility for individuals whose academic deficiencies are too great to overcome after they have had a reasonable opportunity to attempt a postsecondary education. This recommendation would allow an individual to take remedial courses beyond one calendar year as long as they did not continue in remedial courses beyond the equivalent of one academic year's eligibility.

20. Definition of default (New Section paralleling (Section 462(h)(4))

Recommendation: Consider a FFELP/DL student loan in default after 240 days.

Rationale: Currently, loans are considered in default after 180 days for the FFEL/DL programs and 240 days for Perkins Loans. The Task Force believes such time periods should be made consistent and recommends the FFELP/DL period increase to the Perkins Loan level of 240 days. This additional time would allow further due diligence efforts to continue resulting in greater collections of loans for the federal government reducing costs to taxpayers.

**FFELP Recommendations already approved by NASFAA Board of
Directors and transmitted to the Congress
Numbers 17-36 as follows:**

17. Issue: Non-state guarantor activities (Section 422(c)(6)(B)(I))

Recommendation: Require non-state guarantors to also handle electronic inquiries.

Rationale: Non-state guarantors are currently required to handle written and telephone inquiries within the states that they operate. This recommendation expands that requirement. Throughout the Higher Education Act, NASFAA recommends changes

that will facilitate and encourage the use of electronic technologies and communications.

18. Issue: Lower institutional loan limits (Section 428(a)(2)(F))

Recommendation: Permit institutions to set lower institutional limits for Part B loans.

Rationale: Instead of the authority in Section 428(a)(2)(F), which permits schools to refuse to certify (or to reduce the amount of) a student's loan on a case-by-case basis, NASFAA recommends that each school be given the authority to establish its own annual loan limits, by program, at or below the maximum established in the HEA. However, an institution would not be permitted to require a borrower who has additional Subsidized Loan eligibility under the HEA annual loan limits to borrow an Unsubsidized Stafford Loan solely due to lower annual loan limits established by the institution. That is, borrowers must use up all Subsidized Loan eligibility up to the HEA maximum before they are eligible for an Unsubsidized loan. NASFAA believes this additional authority is necessary to help schools better manage their default rates.

19. Issue: Required statements to lenders (Sections 428(a)(2)(A)(1)(I) & 428H(b))

Recommendation: Eliminate requirement that borrowers provide certain statements to their lenders.

Rationale: These sections require the borrower to provide to the lender a statement from their school which (1) sets forth the student's estimated cost of attendance (COA) (as determined under section 472) and (2) sets forth such student's estimated financial assistance (EFA) and (3) certifies the eligibility of the student to receive a loan and the amount of the loan for which the student is eligible. Given that schools are responsible for certifying eligibility and maintaining COA and EFA information, NASFAA recommends that borrowers provide a statement to the lender that certifies only the student's eligibility to receive a loan and the amount of the loan. Institutions should be required to make available, at the lender's request, the student's estimated cost of attendance and estimated financial assistance.

20. Issue: Aggregate limit for teacher certification program students (Section 425(a)(ii))

Recommendation: Permit teacher certification program students who have successfully completed a program of undergraduate education to borrow up to the graduate/professional student aggregate maximum level.

Rationale: Because the treatment of teacher certification programs varies from state to state, NASFAA recommends that the eligibility of these students be specifically referenced to ensure that they will not be precluded from borrowing.

21. Issue: Aid administrator adjustments in loan amount (Section 428(a)(6))

Recommendation: Extend to aid administrators the current law authority regarding evaluation of a student for a loan.

Rationale: Current law gives lenders certain privileges regarding assessment of a borrower's financial condition. It specifies that no law can prohibit or require, unless otherwise specifically provided by law, a lender to evaluate the total financial situation of a student making application for a loan under this part, or to counsel a student with

respect to any such loan, or to make a decision based on such evaluation and counseling with respect to the dollar amount of any such loan. NASFAA believes that both financial aid administrators and lenders should have this authority.

22. Issue: Restrictions on guaranty agency activities (Section 428(b)(3))

Recommendation: Extend the current law restrictions on guaranty agency inducements, mailings and advertising to lenders participating in the part B programs, and extend the restrictions on unsolicited mailing of student loan application forms to include students enrolled in postsecondary institutions.

Rationale: To safeguard the interests of students and the integrity of the loan programs, NASFAA believes that these restrictions should apply to lenders as well as guaranty agencies. Regarding mailings to students, current law prohibits unsolicited mailings of student loan application forms to students enrolled in secondary school. NASFAA believes that unsolicited mailings of application forms to students enrolled in postsecondary education should be prohibited as well.

23. Issue: Pre-claims assistance charges to schools (Section 428(c)(2)(H)(ii))

Recommendation: Eliminate this authority.

Rationale: NASFAA believes that institutions should not be subject to a fee for helping to meet lender pre-claim assistance requirements. Imposing a fee could act as a disincentive for schools to help remind students of their obligation to repay their loans.

24. Issue: Borrowers' forbearance requests (Section 428(c)(3))

Recommendation: Permit borrowers to request forbearance electronically.

Rationale: Throughout the Higher Education Act, NASFAA recommends changes that will facilitate and encourage the use of electronic technologies and communications. Current law specifies that borrowers must request forbearance in writing.

25. Issue: Granting forbearance (Section 428(c)(3)(B))

Recommendation: Permit guaranty agencies to consider a borrower's total debt as a factor in granting forbearance.

Rationale: NASFAA believes that forbearance is a valuable tool that can prevent borrowers experiencing temporary repayment difficulty from defaulting on their loans. NASFAA believes that guaranty agencies should, to the extent practicable, be encouraged to consider a borrower's total debt-to-income ratio (not just title IV student loan debt) when deciding whether to grant a forbearance request.

26. Issue: State share of default costs (Section 428(n))

Recommendation: Delete provision

Rationale: NASFAA recommends striking the provision requiring states to pay the federal government a fee for any postsecondary institutions that have a cohort default rate above 20 percent. Current anti-default measures are working to bring down default rates and this provision would do little to reduce defaults and may, by draining resources used in default prevention currently, actually be counterproductive.

27. Issue: Single disbursement of loans for short loan periods (Section 428G(a)(1))

Recommendation: Permit single disbursement of loan if the loan period is one semester, trimester, quarter, or 4 months.

Rationale: NASFAA believes that requiring multiple disbursements of loans for short loan periods creates undue and unnecessary hardships for students, and unnecessary administrative burden for schools.

28. Issue: Disbursement for first-time, first-year borrowers. Section 428G(b)(1)

Recommendation: Permit schools to impose, at their option, 30-day delayed disbursement for first-time, first-year borrowers.

Rationale: Evidence shows that imposing this requirement on all first-time, first-year borrowers does little to prevent defaults. Given the hardships that some borrowers subject to this provision have experienced, NASFAA recommends eliminating the requirement for all schools but permitting schools to impose it as a default management tool. First-time, first-year borrowers without access to loans during this period often are unable to purchase books and related educational materials necessary to keep up with their studies during their initial higher education experience. Several NASFAA members reported that some are even forced to drop out of school as a result.

29. Issue: Overaward tolerance (Section 428G(d)(2))

Recommendation: Allow a \$300 overaward tolerance in the FFEL and Direct Loan programs.

Rationale: Given the many circumstances under which an overaward may be created, and the fact that modest overawards are permitted in other title IV programs, NASFAA recommends that similar treatment be permitted in the loan programs. NASFAA believes that a \$300 overaward is low enough to prevent the borrower from incurring unreasonable excess debt, but sufficient to avert costly and inconvenient administrative burdens for students and schools.

30. Issue: Participation in the Unsubsidized Stafford Loan Program (Section 428H(b))

Recommendation: Permit schools to choose whether their students can borrow Unsubsidized Stafford Loans.

Rationale: Given the implications of an institution's default rate on participation in other title IV programs (such as the Subsidized Stafford Loan and Federal Pell Grant programs), NASFAA believes that schools need additional tools to help manage their default rates and, as such, should be permitted to choose whether its students borrow under the Unsubsidized Stafford Loan Program.

31. Issue: Origination fee for Subsidized and Unsubsidized Stafford FFEL and Direct Loans (Section 428H(f), Section 438(c), and Section 455(c))

Recommendation: Eliminate the borrower origination fee.

Rationale: As students graduate with increasingly higher student loan debt, NASFAA believes that elimination of the origination fee for all federal student loans is in the best interests of students.

32. Issue: Program of assistance for borrowers (Section 432(k))

Recommendation: Require the Department to implement current law.

Rationale: NASFAA believes that this section, which directs the Secretary of Education to undertake a program to encourage corporations and other private and public employers, including the Federal government, to assist borrowers in repaying student loans, including providing employers with options for payroll deduction of loan payments and offering loan repayment matching provisions as a part of employee benefit packages, will help borrowers manage their loan payments. NASFAA believes the program should have been implemented as a part of the 1992 Amendments.

33. Issue: Plain English disclosures by lenders (Section 433)

Recommendation: Require all disclosures mandated by this section to be in plain English.

Rationale: NASFAA believes that plain English should be used in all communications with students and borrowers.

34. Issue: Default rate exemption for certain institutions (Section 435(a)(2)(C))

Recommendation: Extend through the next reauthorization period the current default rate exemption for Historically Black colleges and universities, tribally controlled community colleges, and Navajo Community Colleges, but require the use of a default management plan as an aid for these institutions with high default rates.

Rationale: Given the needy populations these institutions traditionally serve, NASFAA recommends continuing these exemptions, but believes the use of default management plans at these schools can minimize student loan defaults.

35. Issue: Prohibiting use of certain incentives (Section 435(d)(5))

Recommendation: Retain language, adding new provisions for Inspector General report and follow-up action.

Rationale: NASFAA questions the enforcement of this section which prohibits several incentives by eligible lenders. NASFAA recommends adding language to require a Department of Education Inspector General report in this area, with follow-up law enforcement action as necessary to clean up reported problems areas.

36. Issue: Income Contingent Repayment option in the FFEL Program (Section 437A(b))

Recommendation: Require the Secretary to publish the results of the required finding in this section, and, if Income Contingent Repayment continues to be available to borrowers in the Direct Loan program, require the Secretary, after consultation with schools, lenders and guaranty agencies, to develop and implement an Income Contingent Repayment option within 360 days of enactment of the reauthorization legislation.

Rationale: NASFAA believes that the Secretary (pursuant to Section 437A) should have published a finding that examines issues surrounding Income Contingent Repayment in the FFEL program. NASFAA also believes that if both the FFEL and Direct Loan Programs continue, the terms and conditions of the programs should be the same.

End of previously approved recommendations for this section of the law. New recommendations follow.

Federal Work-Study Program

21. FWS community service (Section 443(b)(2), (8)(B), 442(e))

Recommendation: Eliminate 5 percent community service requirement. For those institutions which allocated at least ten percent of their FWS funding for community service activities as defined in Section 441(c), then 100 percent of reallocated funds available under Section 442(e) would be returned to that group of schools meeting this standard.

Rationale: The Task Force suggests modification of the community service provision by eliminating the mandatory 5 percent community service requirement. It urges postsecondary institutions utilize FWS for community service activities, but takes a carrot approach to community service. The Task Force recognizes that many colleges have difficulty reaching the 5 percent requirement. Some of the factors that create these difficulties include the rural location of the institution; an abundance of postsecondary institutions within a small geographic area competing for these volunteer positions; well-established campus and community service programs that lock up available community service jobs; a paucity of community service jobs; and, an ethic within the community service community against paid work for "volunteer" activities. The Task Force supports and encourages the use of FWS funds for community service, but believes the program and goals of community service are better served by rewarding those community service schools that participate above ten percent use of funds by dividing reallocated funds to those schools rather than the stick of punishment. The Task Force notes the January 10, 1997 letter sent to college presidents by the higher education community urging the increase in voluntary community service.

22. Bonus FWS allocation (Section 442(a)(4))

Recommendation: Eliminate this section which provides when FWS appropriations are above \$700 million, then 10 percent of such excess goes to schools where 50 percent or more of its Federal Pell Grant recipients graduate or transfer to a four-year institution.

Rationale: The Task Force believes, however laudable a goal, that this provision of the law only accomplishes what schools and students should be doing anyway. Records needed for such a determination are not collected currently. The Task Force also suggests that all postsecondary FWS eligible institutions need FWS funding and a special interest earmarking of funds as this section is not in the best interests of the program.

23. FWS reallocation timing (Section 442(e))

Recommendation: Allow reallocated FWS funds, if necessary, to be used in subsequent award year.

Rationale: The Task Force understands the concern that reallocated FWS funds may come too late in the cycle to use effectively. The Task Force recommends a possible solution that such funds be used in a subsequent award year. If there is a reallocation

timing problem, then this would allow for more effective management of FWS funds and student employment. If the membership believes the reallocation process currently works well, then the Task Force would not forward this recommendation to the NASFAA Board of Directors.

24. Campus FWS match and community service match waiver (Section 443(b)(5) and new section)

Recommendations: a) Retain current level of campus FWS match.

b) Allow institutions to waive match for off-campus community service.

Rationale: The Task Force believes that the current 25 percent FWS match by schools is an appropriate commitment of funds matching those from the federal government. Many schools indicate they would have either a difficult time meeting a higher match percentage or would not be able to provide an increased match and would, in that case, forego increased FWS funding.

The Task Force recommends that schools have the authority to waive the match required by off-campus agencies that provide community service opportunities for FWS students. Many times such agencies are willing to provide community service opportunities, but are financially unable to provide the required match. In such cases, the school would have the authority to waive the match for such an agency so that FWS students may serve their communities in such community service work opportunities. This waiver recommendation parallels the administrative action taken by the Department in its America Reads initiative, but is broader in its application to a greater number of community service providers.

25. Level of carry forward/carry back authority (Section 445(a))

Recommendations: a) Increase the level of carry forward/carry back authority to 15 percent.

b) Retain Section 442(e)(2) regarding loss of funds returned if over 10 percent.

Rationale: The administrative flexibility provided by carry forward/carry back authority in the law are important management tools for financial aid administrators. The Task Force recommends an increase from 10 percent to 15 percent in the carry forward/carry back authority. This modest increase would be the first since 1980. At the same time, the Task Force would not change Section 442(e)(2) which provides that schools that return more than 10 percent of its allocation would see its next year's allocation reduced by that amount unless the Secretary provided a waiver of this provision. An increase to 15 percent, combined with the Task Force's recommendation for Section 488 that restores full transferability among the campus-based programs, would give schools sufficient administrative flexibility and, at the same time, preserve the integrity of the programs.

**FWS Recommendations already approved by NASFAA Board of
Directors and transmitted to the Congress
Numbers 37-41 as follows:**

37. Issue: Community services (Section 441(c)(3))

Recommendation: Specify that eligible community services include support services to students with disabilities at the institution.

Rationale: NASFAA suggests this language to give schools the specific authorization to serve such students and believes it would positively redirect the Department's interpretations. NASFAA is currently examining a broader definition of community service that may include other on- and off-campus activities.

38. Issue: Contents of agreements (Section 443(b)(3))

Recommendation: Eliminate percentage references to less than full-time or independent students.

Rationale: NASFAA concludes FWS funds must be available to these students if they are considered in the allocation data provided to the Secretary as required in current law. The required monitoring, however, increases administrative burden with little advantage to the intended beneficiaries

39. Issue: Contents of agreements (Section 443(b)(6))

Recommendation: Delete requirement to make FWS-equivalent institutional employment reasonably available to all students desiring such employment to the extent of available funds. Rationale: NASFAA suggests it is inappropriate to mandate requirements for non-FWS employment.

40. Issue: Contents of agreements (Section 443(b)(7))

Recommendation: Move statement that FWS employment will align with educational programs to the maximum extent practicable to the FWS purpose section (Section 441(a)).

Rationale: NASFAA suggests this provision is best placed in the FWS purpose section. Retaining it in the Content of Agreements paragraph does not recognize the reality of many students who desire FWS jobs in areas other than their academic or vocational concentrations to broaden their educational experience. Some students report they prefer a FWS job not related to their academic or vocational major in order to gain other valuable, but personal, experiences.

41. Issue: Private sector employment agreement (Section 443(c)(4))

Recommendation: Specify that such jobs be academically relevant to the maximum extent practicable.

Rationale: This provision does not recognize that many students desire FWS jobs in areas other than their academic or vocational concentrations to broaden their educational experience. Some students report they prefer a FWS job not related to their academic or vocational major in order to gain other valuable, but personal, experiences.

**Federal Direct Loan Program Recommendations already approved by
NASFAA Board of Directors and transmitted to the Congress**

Numbers 42-44 as follows:

42. Issue: Direct Loan Program origination fee (Section 452(b))⁵

Recommendation: Retain fee for origination services.

Rationale: For schools originating loans, the program average fee of \$10 per borrower should be retained to reimburse institutions for the start-up and on-going costs of administering the Federal Direct Loan Program on their campus. Such cost reimbursements are legitimate school expenses incurred in the same fashion as those of lenders and guaranty agencies in the FFEL Program.

43. Issue: Direct Loan origination fee to students (Section 455(c))

Recommendation: Eliminate origination fee.

Rationale: NASFAA recommends eliminating the origination fee for the Direct Loan Program mirroring a similar recommendation for the FFEL Program. NASFAA firmly suggests that the origination fee was intended to be temporary when it was imposed on student borrowers in the early 1980s, and it has endured far too long to the detriment of student borrowers. While a federal budget convenience, NASFAA suggests the origination fee in both programs is a major inconvenience for student borrowers. Elimination of the fee also would streamline loan program operations since tracking and shuffling of funds no longer would be necessary.

44. Issue: Update of Section 457 (Section 457)

Recommendation: Eliminate outdated provisions of this section; update, but retain, requirement for negotiated rulemaking.

Rationale: NASFAA recommends eliminating several provisions in Section 457 that deal with regulatory transition issues. NASFAA recommends continuation of negotiated rulemaking procedures for changes made by this reauthorization of the HEA.

End of previously approved recommendations for this section of the law. New recommendations follow.

Federal Perkins Loan Program

26. Federal Perkins Loan Program cohort default rate (Section 462(h))

Recommendations: a) Replace the current Federal Perkins loan cohort default rate calculation with cumulative default rate calculation (e.g. total dollar volume of loans in default compared to total dollar volume of loans in repayment)

b) Specify that a loan that is rehabilitated, fully repaid, or made current after default shall not be considered in default for purposes of calculating a school's Perkins default rate.

c) Exempt any school with fewer than 100 Perkins borrowers from participation in a default management plan.

Rationale: The Task Force recommends a Federal Perkins Loan Program change from a cohort default rate to a cumulative default rate calculation. This recommendation is made because the Task Force believes a cumulative default rate is a more accurate and fair default indicator than the current treatment. By comparing loan volume in

default to total loan volume, problems with a cohort default rate such as a large number of students with small loan balances who default results in an inaccurate picture of defaults at a school. Such a school may have only an inconsequential loan volume in default compared to total loan volume in repayment. Yet, in this case, a cohort default rate would be an inaccurate indicator of problems. Finally, the Task Force makes the above recommendation, not only for the reasons stated, but also because the fundamental nature of the Federal Perkins Loan Program is that schools have more control over loan collections than is the case for the FFEL Program.

The Task Force proposes that once a Federal Perkins Loan is rehabilitated, fully repaid, or made current after default that it should not be considered in default for purposes of calculating a school's Perkins default rate. It is simple justice that with successful efforts to bring a defaulted loan out of that status, schools should not be assessed a possible punishment.

Schools with fewer than 100 Federal Perkins Loan Program borrowers should not have to carry out a default management plan. This de minimis standard would allow schools with few Federal Perkins Loans to avoid a prescribed Department default management plan while it makes its own efforts to reduce defaults.

27. Federal Perkins Loan Program campus matching requirement (Section 463(a)(2)(B))

Recommendation: Retain current institutional match requirement and level for Federal Perkins Loans.

Rationale: The Task Force believes the current federal/school partnership as exhibited by the campus Federal Perkins Loan Program match is appropriate and should continue unchanged.

28. Federal Perkins Loan Program interest rate (Section 464(c)(1)(D))

Recommendation: Continue current interest rate level for the Perkins Loan Program.

Rationale: The Task Force believes the packaging policies of Federal Perkins Loan Program participants is targeted on the most deserving Title IV eligible students. The Federal Perkins Loan Program serves many economically disadvantaged students enabling such borrowers to finance their educations at lower interest rates. The Task Force recommends continuation of this policy.

29. Federal Perkins Loan Program deferment requests (Section 463(c)(2))

Recommendation: Allow schools to automatically provide student borrowers an in-school deferment in the case of individuals returning to their studies.

Rationale: Schools would have the ability to initiate an in-school deferment rather than continue for students the sometimes confusing current process. Under the Task Force proposal, schools could automatically initiate an in-school deferment for the student. The student would get a notice and could, if he or she chose to do so, continue to make loan payments.

30. Wage garnishment (New Section)

Recommendation: Allow for wage garnishment of Federal Perkins Loans; coordinate such wage garnishment with FFELP

Rationale: The Task Force believes wage garnishment authority would be a useful tool in the collection of especially difficult defaulted Federal Perkins Loans and such authority should be granted to postsecondary institutions. The Task Force also recommends coordination of wage garnishment for Federal Perkins Loans in the case of the simultaneous application of wage garnishment to both the Federal Perkins Loan and FFEL Programs.

Federal Perkins Loan Program recommendations already approved by NASFAA Board of Directors and transmitted to the Congress Number 45 as follows:

45. Issue: Contents of agreements (Section 463(a)(9))

Recommendation: Require only that schools make loans to students with demonstrated need.

Rationale: The current law requirement (and Department of Education interpretation) that schools award Perkins Loans first to students with exceptional need creates numerous processing difficulties (for example, funding students who have not met priority deadlines), and may not always be in the best interests of students. NASFAA believes that schools know best how to award Perkins Loans within those students that demonstrate need. For example, the current law requirement sometime forces students into borrowing from two federal loan programs, when it may be in their best interest to borrow under only one loan program.

End of previously approved recommendations for this section of the law. New recommendations follow.

Parts G (General Provisions) and H (Program Integrity)

31. Regulatory relief/Multiple performance standards (New Section)

Recommendation: Change the HEA so that in determining the level of regulatory oversight of postsecondary institutions the Secretary must use multiple performance standards that are developed through the negotiated rulemaking process.

Rationale: A "one size fits all" regulatory approach does not serve the interests of either the government or postsecondary institutions. For many years, and throughout the NASFAA reauthorization process, student financial aid professionals have urged that the micromanagement of their offices end and that substantial regulatory relief be implemented. The Task Force agrees and recommends an open-ended process which it believes meets that goal. The Task Force suggests a process where the Secretary develops a multiple performance standard structure and specific regulatory relief measures. The Secretary, then, negotiates the performance based/multiple standards with the higher education community over what would best meet the goal of regulatory relief and of targeted regulations determining the performance of schools administering

the Title IV programs. See negotiated rulemaking recommendation #50.

33. 85/15 rule (Section 481(b)(6))

Recommendations: Repeal the 85/15 rule.

Rationale: The Task Force believes the 85/15 rule was well-intentioned, but needlessly micromanages Title IV programs and unfairly burdens one segment of Title IV eligible schools. Enforcement of the 85/15 rule produces a cumbersome, expensive record-keeping and audit process with little result except for the denial of educational opportunities for those low-income, career track individuals served by proprietary postsecondary institutions. Whether one agrees with or does not agree with action by the Congress to eliminate schools with high default rates, we do know that policy has canceled loan eligibility for several hundred schools since the policy was first implemented. NASFAA does acknowledge many of those schools eliminated did not have adequate educational programs serving students. We also know a number of quality schools lost loan eligibility for their students because those schools took risks in admitting students from low-income families or who were inadequately served by primary and secondary local school systems and needed career opportunities in order to gain the education necessary to be productive citizens. The 85/15 rule should be eliminated since it is poor educational policy if the Congress is committed to educational opportunity. The 85/15 rule should be eliminated since other federal, state, and local enforcement activities can root out poor performance without the arbitrariness of this provision of the HEA.

34. Institutional eligibility (Section 481(a)(3)(C))

Recommendation: Remove the tie to HEA institutional eligibility regarding the percentage of incarcerated students enrolled at a postsecondary institution.

Rationale: This section of the HEA makes ineligible any postsecondary institution that has more than 25 percent of its enrollment made up of incarcerated students. The Task Force's change would retain the prohibition for determining program eligibility, but not for determining institutional eligibility. When the Congress eliminated Title IV eligibility for incarcerated individuals serving time in federal and state penal institutions, it did not address this issue. Consequently, while inmates are Title IV ineligible, if a school wished to develop a program for prisoners, the school faced loss of eligibility if its inmate enrollment was over 25 percent. The Task Force believes schools and the majority balance of their student bodies should not lose eligibility if it wishes to serve an incarcerated population over 25 percent of enrollment. Since inmates are ineligible for Title IV funds, the federal government has no interest in this matter and, therefore, preserving the requirement in the program eligibility section of the Act would meet any possible congressional concerns and not unfairly punish students or schools.

35. Exit/entrance counseling (Section 485(a)(1)(M) & 485(b))

Recommendations: a) Require schools to arrange appropriate loan counseling which may include use of new technologies such as the Internet or other technological innovations.

b) Prohibit the Department from regulating what is considered appropriate counseling activities or content, but such may be subject to examination in a program review if problems emerge. **Rationale:** The Task Force believes it is important that student

borrowers are fully informed about any loan they may assume such as its terms and conditions and the borrower's rights and responsibilities. The Task Force, however, believes the HEA micromanages the content and the delivery of such information that schools provide and that the law should be changed. In the view of the Task Force, schools are more familiar with their diverse student population and are in the best position to know what information borrowers need to know; when to provide such information; and how such information can be most effectively conveyed. If this recommendation is approved by the Congress, then each school must provide appropriate loan counseling without regulation from the Department. The recommendation envisions that schools would be able to provide such information as appropriate to its content, context, timing, and delivery. Innovations such as the World Wide Web, E-mail, or other advanced technologies may be used. However, the school would be subject to examination in a program review if problems emerged in its counseling activities.

36. Electronic reporting of audits (New Section)

Recommendation: Require electronic reporting of audits to the Secretary in a standardized format.

Rationale: The Task Force believes this requirement is administratively reasonable from a gatekeeping and program integrity viewpoint.

37. Student access to NSLDS personal data (Section 485B)

Recommendation: Allow students to have access to NSLDS personal data.

Rationale: The Task Force recommends this student consumer provision so that students may check the accuracy of their own data in the NSLDS and to inform themselves of other information they might need, such as, who or what is the address of the holders of their loans.

38. Issue: School access to institutional eligibility information (New section)

Recommendation: Allow schools on-line access to their institutional eligibility data.

Rationale: The Task Force believes schools should have on-line access to the information provided to the Department used to determine institutional eligibility for purposes of determining its accuracy.

39. Master promissory note (New section)

Recommendation: Within one year of enactment the Secretary shall develop and make available for use a "master promissory note." This would apply to the FFEL and DL Programs.

Rationale: The Task Force recommends the Secretary, cooperating with the lending community and schools, create a master promissory note which would bring efficiencies and simplicity to the process of receiving loans. Students easily could access loan funds and better manage their cash flow and debt load. This line-of-credit concept would need to be implemented within one year of the date of enactment of the law. The development of such a master promissory note would be subject to negotiated rulemaking to work out the operational and technical details.

40. Office of Student Loan Ombudsman (New Section)

Recommendation: Create within the Department an Office of Student Loan Ombudsman.

Rationale: The Task Force suggests a HEA amendment creating an Office of Student Loan Ombudsman within the Department for resolving student loan complaints. Ombudsman offices are not unfamiliar on college campuses and the Task Force believes such a Department office would be of great benefit for students who have found difficulties with their loans and, thereby, reduce defaults or delinquencies. Such an office also may reduce campus inquiries from students with problem loans.

41. Transfer of allotments (Section 488)

Recommendation: Allow schools to transfer no greater than 25 percent among campus-based programs

Rationale: The Task Force believes postsecondary institutions should have authority to transfer up to 25 percent of funds in one campus-based program to another, rather than the more limited transfer ability in current law. The effect of the Task Force recommendation would go back to the law as it was in effect prior to the 1992 HEA Amendments. The Task Force believes this is a common sense change that allows limited, but important, administrative flexibility allowing schools to make decisions according to institutional and student needs.

42. Master calendar (Section 482)

Recommendations: a) Modify master calendar so that by December 1st the Department is required to have all written guidelines, policy interpretations, handbooks, or other materials available to schools. If such materials were not available by December 1st, then schools would be held harmless for their good faith efforts to implement new or newly revised/interpreted regulations.

b) Change HEA so that statute urges Department training activities be conducted in an expeditious manner.

c) Require as part of the Master calendar, the Secretary, by December 1st, notify schools of minimal hardware and software requirements necessary in the following award year.

Rationale: Responding to numerous complaints by financial aid administrators, the Task Force makes this recommendation. Its purpose is to require the Department to deliver to financial aid administrators the tools they need to administer the programs in a timely manner. Such materials would include verification manuals, etc. If the Department did not do so, schools would be held harmless for their good faith efforts to implement regulations without timely guidance provided late by the Department. Further, the Task Force would provide statutory guidance to the Department that its training activities be conducted in a timely manner.

The Task Force recommends, as part of the Master Calendar, that schools have enough notice and lead time from the Department to purchase or install electronic hardware and software which is necessary to administer the Title IV programs in the upcoming award year.

43. Legal immigrant Title IV eligibility (Section 484(a)(5))

Recommendation: Retain legal immigrant Title IV eligibility. Oppose efforts to mandate such recipients obtain loan cosigners or have income deemed from sponsors.

Rationale: The Task Force recommends continuing Title IV eligibility for legal immigrants without any requirements for co-signers for Title IV loans or deeming of sponsors income. While the 104th Congress debated proposals to eliminate Title IV eligibility, impose deeming and/or require loan cosigners, in the end, the Congress decided to make no change in the treatment of legal immigrants for Title IV funding or eligibility. The Task Force recommends continuing this policy to benefit legal immigrants by providing educational opportunities to succeed in their newly adopted homeland. To implement any of the above policies would diminish the American dream and greatly reduce the opportunity for economic mobility for those who legally came to this nation seeking a better life for themselves and their families.

44. Student eligibility (Section 484(d))

Recommendation: Retain eligibility requirement that individuals have a high school diploma or a recognized equivalent or prove ability-to-benefit in order to be eligible for Title IV assistance. (See also next recommendation)

Rationale: Some have proposed that a high school diploma be a singular standard for Title IV eligibility rather than the current eligibility criteria of high school diploma, its recognized equivalent, or by meeting ability-to-benefit (ATB) criteria. Most often that recognized equivalent attained by individuals is the GED. The Task Force concluded current law should not be changed in this eligibility matter. It notes evidence that many individuals with GEDs or those admitted under ATB academically outperform recipients of high school diplomas. The Task Force believes eliminating current law's allowance for student eligibility by successfully completing the multi-hour GED exams or gaining eligibility by proving ability-to-benefit and requiring only a high school diploma would deny educational opportunities to that segment of our society most in need of the chance to improve their academic and career skills.

45. Treatment of Ability to Benefit (ATB) (Section 484(d) and Section 481(3)(D))

Recommendations: a) Permit an eligible institution admitting fewer than 25 percent of its enrollment as ATB students to use its own assessment methods and methodology. b) Remove the 50 percent institutional cap on ATB students.

Rationale: The last revision of ATB resulted in a micromangement by the Congress of this requirement. The Task Force is considering a recommendation providing for appropriate institutional flexibility and, at the same time, preserving congressional intent that ATB is not misused. The Task Force suggests that schools, using their own assessment methods and methodologies, can better appraise an individual's chance for successfully completing that school's program of study. The 25 percent ceiling would allow those schools admitting ATB students below that level to utilize complex and more focused assessment tools, than the current ATB testing required under law. The Task Force would recommend that above the 25 percent ATB enrollment level schools must follow current law in this area. The Task Force placed this ceiling recognizing that there is some potential for abuse, but with at least 75 percent of a school's enrollment consisting of non-ATB students that potential is significantly reduced or eliminated.

With still unanswered questions the Task Force asks the membership whether or not this recommendation should be submitted to the Congress.

If the Task Force does recommend the above ATB approach, the Task Force endorses striking Section 481(3)(D) which limits schools to no more than 50 percent of ATB enrollment unless the two-year or four-year postsecondary institution offers associate's or bachelor's degrees. This discriminatory HEA requirement only serves to limit educational opportunities for students most in need of the educational services offered by schools. With effective ATB testing in place and with statutory cohort default rates that schools fear will eliminate their eligibility to participate in the loan programs, schools will carefully examine their educational missions and admissions policies so as to not lose their eligibility and, therefore, the 50 percent ATB enrollment cap is unnecessary and discriminatory.

46. FWS I-9 employment eligibility verification (New section)

Recommendation: End duplicative I-9 employment eligibility verification.

Rationale: The Task Force observes that the current practice for FWS I-9 employment eligibility verification which is a duplication of effort to collect copies of social security cards, alien registration cards, citizenship documents, or passports when citizenship, social security and INS matches are performed in the application process. The Task Force recommends that the law should be changed so that the individual only submits an I-9 and the picture identification card each college issues.

47. Study abroad (Section 484(o) and Section 487(a)(13))

Recommendations: a) Clarify that the home institution is required to process the aid for an otherwise eligible student involved in a study abroad program.

b) Continue student Title IV eligibility for study abroad programs that are academically sound, but such study abroad programs would need to be approved by the home campus.

Rationale: Sometimes host institutions find the student's home institution has refused to process financial aid for one of their otherwise eligible students who is involved in a host institution's study abroad program. While the aid may be provided based on a consortium agreement with the home institution, the Task Force believes it is the responsibility of the home institution to process the aid. The law requires that aid be processed for the student, but does not specify who should do so. The result is that students are often caught in the middle between a home and host institution, neither of which want to process their aid. The Task Force recommendation would clarify the responsibilities in cases such as these.

The Task Force believes Title IV eligible students should have the same opportunities for study abroad as those who are more economically advantaged and, therefore, urges continuation of statutory language in this area. The Task Force notes, however, there are increasing pressures on financial aid offices in this area. Occasionally, aid professionals are asked to approve student Title IV funding for overseas programs whose academic soundness is open to question and interpretation. By clarifying that the home campus must approve a study aboard program in order for a student to use

Title IV funds to participate in such a program a measure of quality review would be injected in the process.

48. Experimental sites and Quality Assurance Program (QAP) (Section 487A)

Recommendations: a) *Retain the authority for voluntary innovative management initiatives through experimental sites.*

b) *Clarify experimental sites authority applies to all postsecondary institutions.*

c) *Ensure that experiments may be more broadly focused.*

d) *Finally, the Task Force recommends that QAP participation is voluntary.*

Rationale: The Task Force believes both the experimental sites and QAP authorized in Section 487A are valuable programs. The Task Force adds legislative language to ensure that participation in each program is voluntary and that diversity among postsecondary institutions selected is a priority of the Secretary. The Task Force recommends that continued experimentation be broadly focused and not limited to verification, among any other limitations.

49. Advisory Committee (Section 491)

Recommendation: *Modify HEA adding legislative language mandating the membership of the Advisory Committee include "a broad and representative range of institutions."*

Rationale: The Task Force proposes adding language to ensure the membership of the Advisory Committee comes from a broad and representative range of institutions to ensure a diversity of experience and opinion to inform the discussions of that group.

50. Negotiated rulemaking (Section 492)

Recommendation: *Strengthen the negotiated rulemaking process so that decisions are more binding and more closely parallel the process followed by other federal agencies.*

Rationale: The Task Force believes the negotiated rulemaking process that followed the 1992 HEA reauthorization, while flawed, was a valuable exercise which led to better focused, more tightly written regulations. The Task Force recommendations would improve the process by making Department/higher education community negotiated rulemaking parallel procedures practiced by other government agencies and produce a more compulsory decision-making procedure.

51. Hardware/Software minimal requirements (New section)

Recommendation: *Require the Secretary to prescribe minimum computer and other electronic capacity, including software requirements, to be met by all participants.*

Rationale: The Task Force is very cognizant of the micromanagement of financial aid offices evident in past reauthorizations. Yet, the Task Force believes its recommendation that the Secretary shall prescribe minimal computer and other electronic capacity to be met by all participants is appropriate in this limited circumstance. The Task Force suggests each Title IV eligible institution have mandated by the Secretary minimal hardware and software requirements so that a school and its students may benefit from such efficiencies of communication and processing of information.

52. Proprietary School eligibility (Several sections in the Act)

Recommendation: Continue HEA provision so that students attending proprietary schools may retain Title IV eligibility under the same terms as all eligible students.

Rationale: Under the principles adopted by the Task Force, students attending proprietary schools should continue to be Title IV eligible without any further separate requirements on such applicants or the Title IV eligible schools they attend. Attempts to shift such students into other proposed, but not enacted legislative proposals, sometimes do not recognize the necessity to educate all Americans for those educational or career goals that each person may attain given their talents and desires for a productive life contributing to the economic well-being of all of this nation's citizens.

53. Project EASI (New Section)

Recommendation: Statutorily encourage progress on Project EASI

Rationale: The Task Force by statute would encourage progress on Project EASI. It holds much promise for simplifying the student aid process by use of new technologies and streamlined administrative procedures.

54. HEA implementation dates

Recommendation: The Task Force urges Congress, when writing this reauthorization bill, to be cognizant that campuses need time to implement any changes in the Act.

Rationale: While budget considerations may be important in this reauthorization of the HEA, the Task Force urges the Congress when writing implementation dates for various HEA provisions to be cognizant that campuses need time to implement any changes in the Act. The 1992 Amendments contained "date of enactment" or quickly implemented provisions that were impossible for the Department of Education to inform schools of, not to mention, the impossibility of schools implementing those provisions. The Task Force urges the Congress in this reauthorization not to force schools into impossible implementation dates. Such impossible implementation dates result in confusion, misplaced efforts, and inadvertent violations of the HEA as revised.

Part G and H recommendations already approved by NASFAA Board of Directors and transmitted to the Congress Numbers 46-56 as follows:

46. Issue: Secretary required to comply with schedule (Section 482(a)(1))

Recommendation: Add a time line by which the Department (or its contractor) must provide paper applications and output (paper and electronic) to schools.

Rationale: In consultation with appropriate experts, NASFAA will develop such a time line for provision of paper applications and output to schools. This recommendation will enable schools to better serve students and schools through timely receipt of applications and paper (or electronic) output.

47. Issue: Secretary required to comply with schedule (Section 482(a)(2))

Recommendation: Specify the FISAP filing date as October 1 to prevent the

Department from making the date too early.

Rationale: NASFAA recommendation would prevent the Department from setting too early a date for completion of FISAPs and would allow schools adequate time to complete such a form.

48. Issue: Notice to Congress (Section 482(d))

Recommendation: Update committee names and require the Secretary to also notify representatives of the postsecondary education community when the Master Calendar dates have not been met.

Rationale: The updating portion of this recommendation is a technical conforming change in legislative language. The second part would give representatives of the higher education community the same notification that Congress receives to be better informed in this area.

49. Issue: FAFSA preparation (Section 483(e))

Recommendation: Apply provision only to those paid by applicant.

Rationale: NASFAA recommends that only those paid by an applicant to prepare a FAFSA should provide the required information. This requirement would not apply to financial aid administrators, unless such individual was working in a private capacity and received compensation for the preparation of a FAFSA.

50. Issue: Toll-free information (Section 483(d))

Recommendation: Retain the toll-free information line.

Rationale: NASFAA believes the toll-free number is a useful aid and should be retained to continue providing services for students.

51. Issue: General student eligibility (Section 484(a))

Recommendation: Add "federal" before grant, loan, and work assistance.

Rationale: This change makes it clear that the eligibility requirements apply only to federal grant, loan, and work assistance.

52. Issue: Required student document (Section 484(a)(4))

Recommendation: Eliminate student requirement to file the statement of educational purpose and Social Security Number (SSN) with institution.

Rationale: A separate filing of a statement of educational purpose and SSN with a school is no longer necessary since these items are on the FAFSA.

53. Issue: Data base matching (Section 484(n))

Recommendation: Delete requirement for the Secretary to conduct data base matches.

Rationale: NASFAA recommends eliminating the provisions related to Selective Service registration from the Higher Education Act, although the actual registration requirement is in statute outside the Higher Education Act. If the government believes that Selective Service registration is useful, then it should use means other than the Title IV programs to force compliance. NASFAA recommends that compliance can be attained in more cost effective ways than through use of the Title IV programs. NASFAA recommend retaining Sec. 484(n), however, if the Congress did not repeal the Solomon amendment

requiring Selective Service registration.

54. Issue: Information dissemination activities (Section 485(a))

Recommendation: Revise this section to better reflect changes in postsecondary education, including the following items.

- providing consumer information to prospective students upon their request;
- making such information widely available by electronic means;
- defining prospective student as one who has submitted an admissions application;
- moving deferment and cancellation information provisions to Section 485(b); and,
- making technical and conforming changes in the graduation/completion, athletic subparagraphs as well as elsewhere in the section.

Rationale: NASFAA recommends updating this section to better reflect changes in technology and the realities of campus information-sharing. NASFAA believes students must be adequately informed of student financial aid procedures and policies and must understand their rights and responsibilities. NASFAA recommends a substantial rewrite of this section so that consumer information is provided to students in a more cost effective and streamlined fashion. The current statutory requirements are too prescriptive and forces unnecessary costs on schools who can provide such information to Title IV recipients in more effective and efficient ways than the "one size fits all" approach in the current HEA.

NASFAA recommends making other technical and conforming changes to Section 485(b).

55. Issue: Program Participation Agreement provision of state grant assistance (Section 487(a)(9))

Recommendation: Delete provision and develop alternative legislative language to accomplish purpose.

Rationale: Providing information on the availability and eligibility of students for state grant assistance is the responsibility of state entities. Schools attempting to assemble such information find it so general as to be of little use and, more commonly, refer students to relevant agencies. NASFAA recommends developing alternative and more effective means of carrying out the purpose of this section that would serve students more effectively and efficiently through direct contact with appropriate state agencies without burdening schools with this requirement.

56. Issue: Regional meetings (Section 492(a))

Recommendation: Revise this section to encourage the Department's use of small groups of financial aid professionals to resolve problems and provide advice in the development of the Department's policy.

Rationale: The current law is outdated and needs to be revised. NASFAA believes the Department's current practice of involving small groups of financial aid professionals to study issues and initiatives is a sound practice and should be encouraged and mandated by law.

End of previously approved recommendations for this section of the law.

URGENTTotal Pages: 7

LRM ID: CJB83

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Friday, July 25, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below
Janet R. Forsgren
FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference
OMB CONTACT: Constance J. Bowers
PHONE: (202)395-3803 FAX: (202)395-6148
SUBJECT: EDUCATION Draft Bill on Higher Education Act Reauthorization - (New) Title V, Part C - Urban Partnership Program

DEADLINE: 5:00 p.m. Tuesday, July 29, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: The attached is part of ED's proposed reauthorization of the Higher Education Act, which will be reviewed, cleared and submitted informally to Committees in separate parts. ED will consolidate the entire bill for formal transmittal later.

DISTRIBUTION LIST**AGENCIES:****EOP:**

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LRM ID: CJB83 SUBJECT: EDUCATION Draft Bill on Higher Education Act Reauthorization -
(New) Title V, Part C - Urban Partnership Program

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

- (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
- (2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Constance J. Bowers Phone: 395-3803 Fax: 395-6148
 Office of Management and Budget
 Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: _____ (Date)
 _____ (Name)
 _____ (Agency)
 _____ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur
_____ No Objection
_____ No Comment
_____ See proposed edits on pages _____
_____ Other: _____
_____ FAX RETURN of _____ pages, attached to this response sheet

Title V - Urban Partnerships Program

DRAFT 7/25/97

"PART C -- URBAN SCHOOL, COLLEGE AND UNIVERSITY PARTNERSHIPS**"FINDINGS; PURPOSE; PROGRAM AUTHORIZED****"Sec. 531.(a) FINDINGS.--The Congress finds that--**

"(1) The Nation's urban schools are facing substantial problems and needs in such areas as inadequate academic preparation of students and low levels of educational aspirations, low levels of parental involvement, and other urban social problems that impinge upon the school environment.

"(2) The Nation's urban institutions of postsecondary education have available resources that by virtue of the institutions' close relationship with their urban communities, are uniquely situated to help ameliorate the problems described in paragraph (1).

"(3) The skills, knowledge and experience in these urban institutions, if applied in a systematic and sustained manner, and augmented as needed by other urban community-based organizations, working with urban elementary and secondary schools, can make a significant contribution to the solution of such problems confronting these schools.

"(4) The application of such skills, knowledge and experience is hindered by the limited funds available to redirect attention to such problems of urban education.

" (b) **PURPOSE.**--It is the purpose of this part to improve the performance of urban elementary and secondary schools with a high percentage of under-performing students by promoting partnerships among these urban schools and school districts, institutions of higher education, and other public and private groups in order to assist these schools to address the barriers they face in successfully carrying out their educational mission. Institutions of higher education are encouraged to use the full range of their institutional, faculty, and student resources, to help these urban schools to improve their students' performance in such areas as retention and graduation rates, scores on standardized tests of achievement in mathematics, science and reading, and the rate at which their students enroll at institutions of postsecondary education.

"(c) **PROGRAM AUTHORIZED.**--(1) The Secretary is authorized to make grants to eligible institutions on behalf of partnerships to enable them to solve problems faced by elementary and secondary schools in urban areas which limit their educational effectiveness.

"(2) Grants under this part shall not exceed 5 years.

"(3) To the extent practicable, the Secretary shall ensure equitable geographic distribution of grants under this part.

"PARTNERSHIP AGREEMENT"

"SEC. 532. (a) AGREEMENT.--To be eligible for a grant under this part, an eligible institution shall enter into a written partnership agreement with a one or more local educational agencies in an urban area that focuses on improving urban schools and eliminating the barriers these schools face in preparing their students for postsecondary education or careers. Such partnerships may also include businesses, community-based organizations, civic organizations, and other public or private organizations or agencies.

"(b) CONTENTS OF AGREEMENT.--The written agreement shall include.

"(1) a list of one or more urban schools that are the focus of the partnership agreement;

"(2) a list of all partnership participants and their official representative, including the representative for each of the urban schools;

"(3) a description of the responsibilities of each partnership participant; and

"(4) a list of the resources to be contributed by each partnership participant.

"APPLICATIONS"

"SEC. 533. (a) IN GENERAL.--An eligible institution desiring to receive a grant under this part on behalf of a partnership shall submit an application to the Secretary at such time, in such form, and providing such information as the Secretary may reasonably require.

"(b) CONTENTS.--Each application shall include--

"(1) the partnership agreement described in section 532;

"(2) a needs assessment documenting, through quantifiable data, the basis for selecting each participating urban school, and including information on student performance and other educational problems or barriers to success that the urban schools face and that will be targeted by the program;

"(3) a description of the programs and activities to be developed and carried out by the partnership; and

"(4) assurances satisfactory to the Secretary that --

"(A) the partnership will establish a governing board, including one representative of each participant in the partnership;

"(B) federal funds will provide no more than 70 percent of the total cost of the

project in the first year, 60 percent of such costs in the second year, and 50 percent of such costs in the third and any subsequent year;

"(C) no local educational agency or institution of higher education participating in a partnership under this part will reduce its combined fiscal effort per student or its aggregate expenditure on education from non-Federal resources; and

"(D) each local educational agency or institution of higher education participating in a partnership under this part will use funds under this part to supplement, and to the extent practicable, increase the resources that would, in the absence of such funds, be made available from non-Federal sources for the education of students and, in no case, to supplant non-Federal funds that would otherwise be available.

"(c) SPECIAL RULE.—The non-federal share of grants awarded under this part may be in cash or in kind fairly evaluated, including services, supplies or equipment.

"USE OF FUNDS

"SEC. 534.(a) IN GENERAL.—(1) Funds under this part, to the extent practicable, shall be used to assist elementary and secondary schools in urban areas that serve a high percentage of under-performing students to eliminate the barriers these schools face in helping their students' achieve their academic potential and prepare for and pursue a postsecondary education.

"(2) Activities described under paragraph (1) may include program design and development, training, improving the use of technology, sharing of resources, and other services and activities designed to assist urban schools meet and address their educational problems.

"(3) Funds under this part may not be used for programs whose primary purpose is to meet postsecondary education degree requirements, such as student teaching or practice.

"(b) STUDENT PARTICIPATION.—Institutions of higher education are encouraged to place students receiving funds under Title IV, Part C, in grant-supported projects.

"PEER REVIEW

"SEC. 535. The Secretary shall use a peer review process to review applications submitted under this part and make recommendations for funding. The Secretary shall ensure, to the extent practicable, that the panel is geographically balanced and is composed of persons with expertise in the area of urban education and the problems confronting urban schools.

"DEFINITIONS

"Sec. 536. As used in this part--

"(1) The term "urban area" means a metropolitan statistical area having a population

of not less than 350,000.

"(2) The term "eligible institution" means an institution of higher education, or a consortium of such institutions any one of which meets all of the requirements of this paragraph, which--

"(i) is located in an urban area;

"(ii) draws at least 50 percent of its undergraduate students from the urban area in which such institution is located, or from contiguous areas;

"(iii) carries out programs to make postsecondary educational opportunities more accessible to residents of such urban areas, or contiguous area;

"(iv) has a range of institutional, faculty, and other resources available that are relevant to the needs of urban schools; and

"(v) has a record of service to the local community, including partnerships with organizations the purpose of which is to address the needs and priorities of the community.

AUTHORIZATION OF APPROPRIATIONS

"SEC. 537. There are authorized to be appropriated such sums as may be necessary for each of fiscal year 1998 through 2002 to carry out this part.

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Draft 7/16/97

Urban Community Partnership Program

The existing Urban Community Service Program will be reauthorized as the Urban Community Partnership Program. The new program will establish partnerships between urban institutions of higher education and urban elementary and secondary schools to improve the performance of these schools. The inclusion of additional partners such as businesses, community-based organizations, etc. will be encouraged.

This partnership program recognizes the important role that urban postsecondary institutions can play in their community to improve the performance of elementary and secondary schools and help students better prepare for postsecondary education and successful careers.

> Partnerships

A written partnership agreement will be included as part of an application under this program. This agreement will identify not only the individual partners, but the rationale for choosing the particular urban schools with which to work, as well as the educational issues the partnership will address.

> Activities supported under this program

Unlike the current Urban Community Service Program, this new partnership program will focus exclusively on addressing problems of urban education. Funds will be used to assist urban elementary and secondary schools having a high percentage of under-performing students to eliminate the barriers these schools face in achieving their educational mission.

Grantees will have considerable flexibility in the activities of the funded partnerships, such as program design and development, training, improving the use of technology, sharing resources, etc.

> Cost-sharing; grant duration

Federal funds will provide no more than 70 percent of the total costs of the project in the first year; 60 percent in the second year, and 50 percent in subsequent years. Partnerships may be funded for up to five years.

> Urban area; eligible urban institution

"Urban area" means a metropolitan statistical area having a population of not less than 350,000. To be eligible, institutions must be located in an urban area, draw a significant percentage of their students from the area, and demonstrate a clear commitment to the community.



U.S. HOUSE OF REPRESENTATIVES
(202) 225-2095

CHARLES BARONE
LEGISLATIVE DIRECTOR

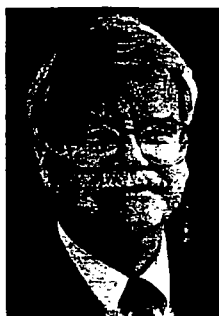
CONGRESSMAN GEORGE MILLER
7TH DISTRICT, CALIFORNIA

2205 RAYBURN H.O.B.
WASHINGTON, D.C. 20515

Hey Bob-
Full
Charlie

NEWS

ATTENTION:



CONGRESSMAN
GEORGE
Miller

2205 Rayburn Building
Washington, D.C. 20515
(202) 225-2095

7th District
California

FOR IMMEDIATE RELEASE:
Wednesday, July 23, 1997

CONTACT: Daniel Weiss/James Snyder
202/225-2095

MILLER INTRODUCES BILL TO IMPROVE TEACHER QUALITY

New legislation would deliver more highly
qualified teachers to nation's classrooms

WASHINGTON -- Responding to a growing student population, increased demand for new teachers, and reports of poor teacher quality in many schools, Congressman George Miller (D-Calif.) introduced legislation today to ensure a competent and qualified teacher in every public school classroom.

"Recruiting, preparing, and supporting competent and qualified teachers is the single most important thing we can do to ensure that all students achieve to the utmost of their abilities," said Miller, a senior member of the House Education and the Workforce Committee.

"This legislation sends a message to parents that they have a right to know whether their children are being instructed by qualified teachers," Miller said. "And it sends a message to all taxpayers that Congress seeks to ensure that federal education dollars are being spent in a responsible manner."

Teacher quality is quickly becoming one of the most widely discussed educational issues in Congress. Miller's bill is the first legislation to be introduced that specifically addresses this issue.

"I believe Congress is ready to act and I am optimistic that we can work together to achieve the goals set out in my legislation," Miller said. "Last week, the President announced a new policy initiative to attract and train teachers to enter high-need schools. That is one component of my bill and I look forward to working with the President and my colleagues on this important issue."

Last September, the National Commission on Teaching and America's Future reported that one in four teachers in the nation's public schools are not fully qualified to teach in the content areas in which they provide instruction. The report found that the problem is particularly severe in

(more)

Miller/Teachers, Page 2
July 23, 1997

areas with high numbers of low-income and minority children, where close to half of all teachers did not have even a minor in their subject area.

The Miller bill closely tracks many of the policy recommendations made in the National Commission's report.

A report that will be released later this month by the U.S. Department of Education is also expected to show increased strains on teacher quality.

This issue of teacher qualifications has received heightened attention in California, where a state effort to decrease classroom size has resulted in a dramatic increase in the hiring of under-qualified teachers. According to EdSource, an independent non-partisan education information center based in Palo Alto, California: "Class size reduction has created a critical and immediate shortage of credentialed teachers in California."

"As a parent and as a taxpayer," Miller said, "I applaud California's effort to reduce classroom size, but frankly I am deeply troubled by the extent to which the state has compromised standards for teacher quality to meet this goal. My bill would give parents the right to know whether their child is being taught by a qualified teacher, and would give schools the help they need to recruit and train entry-level teachers."

Miller's bill would:

- ★ give all parents the right to know the qualifications of their child's teacher;
- ★ require states receiving federal education funds to set clear standards for teacher quality;
- ★ ensure accountability for federally supported teacher education;
- ★ provide financial rewards to teachers who choose to teach in high-need schools and who pursue advanced teaching credentials; and,
- ★ establish local community partnerships to help schools recruit and retain qualified teachers.

"Teachers are among the hardest working people in our country and they certainly have one of the most important jobs in our country. Unfortunately, our public policies have not always reflected this reality. By coupling increased support for teachers with enhanced accountability, this bill is a win-win for all those involved - educators, parents, taxpayers and, above all, our nation's schoolchildren."

###

EXTENSION OF REMARKS
ON THE INTRODUCTION OF THE
TEACHING EXCELLENCE FOR ALL CHILDREN (TEACH) ACT OF 1997.

STATEMENT BY THE HONORABLE GEORGE MILLER
of California

In the House of Representatives

Wednesday, July 23, 1997

Mr. Speaker, I rise today to offer The Teaching Excellence for All Children (TEACH) Act of 1997.

This legislation addresses a long-standing concern that many of our Nation's school children are being taught by teachers who are not qualified to teach in their subject areas. This is a disservice to students, to parents, to the teachers themselves, and to taxpayers.

The problem, documented in several studies, will only get worse as the student population continues to rise along with the demand for ever more new teachers.

Parents have a right to know whether their children are being instructed by qualified teachers. And taxpayers have a right to expect Congress to do all it can to ensure that federal education dollars are being spent in a responsible manner. I believe this legislation addresses both of those important demands.

Under this legislation, states receiving federal education funds would set clear standards for teacher quality. The bill also will ensure accountability for federally supported teacher education, provide financial rewards to teachers who choose to teach in high-need schools and who pursue advanced teaching credentials, and establish local community partnerships to help to schools to recruit and retain qualified teachers.

Two Million Teachers Needed Over Next Nine Years

The number of elementary and secondary school students is expected to increase each successive year between now and the year 2006, from the current level of 51.7 million to an all time high of 54.6 million.

The need for qualified teachers will increase accordingly. Between now and 2006, enrollment and teacher retirement together will create demand for an additional 2 million teachers.

The shortage right now of qualified teachers to fill this demand is a significant barrier to students receiving an appropriate education.

Too Many Teachers Are Not Fully Qualified To Teach In Their Subject Areas

Last September, the National Commission on Teaching and America's Future found that one-quarter of classroom teachers were already not fully qualified to teach in their subject areas. An even newer report - forthcoming from the Department of Education - indicates that 36% of teachers have neither a major nor minor in their main teaching field. Both reports show that the problem is even more serious in academic subjects such as math and science and in schools with high numbers of low-income and minority children.

Research evidence suggests that teacher quality is probably the single most important factor influencing student achievement. Now is the time to redouble efforts to ensure that all teachers in our nation's public schools are properly prepared and qualified and that they also receive the ongoing support and professional development they need to be effective educators.

A Fair Deal for Teachers

Teachers are among the hardest working people in our country and they certainly have one of the most important jobs in our country. The vast majority of teachers deserve our wholehearted admiration, respect, and gratitude.

Unfortunately, our public policies have not always reflected this attitude. As the Association for Supervision and Curriculum Development recently pointed out, "teacher education, which encompasses preservice preparation as well as ongoing professional development, has suffered a chronic lack of funding, resources, and status in the United States, particularly as compared to education in other professional fields."

In addition, the Teaching for America's Future report pointed out that: "Not only do U.S. teachers teach more hours per day but they also take more work home to complete at night, on the weekends and holidays." At the same time, the report goes on to say that "Other industrialized countries fund their schools equally and make sure there are qualified teachers for all of them by underwriting teacher preparation and salaries. However, teachers in the United States must go into substantial debt to become prepared for a field that in most states pays less than any other occupation requiring a college degree."

I think the public is willing to address these issues. Education tops the list of concerns in most public opinion polls. But at the same time, parents and taxpayers want greater accountability to ensure that any additional resources directed at improving teacher quality have a maximal impact on student achievement.

By coupling support for teachers with enhanced accountability, this bill is a win-win for all those involved - educators, parents, taxpayers and, above all, our nation's schoolchildren.

Let's Work Together

Last week, the President announced his intent to put the issue of teacher quality at the top of his education agenda. With the issue of teacher qualifications receiving increased attention in Washington and across the nation, I am more optimistic than ever that we can work together to achieve the goals set out in this legislation. I look forward to working with the President and my colleagues on this important issue.

TEACHING EXCELLENCE FOR ALL CHILDREN ACT OF 1997
Section-by-Section Summary
Representative George Miller (D-CA)



STATEMENT OF POLICY

The Congress declares it to be the policy of the United States that every student shall have a competent and qualified teacher.



FINDINGS

The number of elementary and secondary school students is expected to increase each successive year between now and the year 2006, at which time total enrollment will reach 54.6 million.

The need for qualified teachers will increase accordingly. Enrollment and teacher retirement together will create demand for an additional 2 million teachers by the year 2006.

The lack of qualified teachers to fill this demand is a significant barrier to students receiving an appropriate education.

Right now, one in four teachers in the nation's public schools are not fully qualified to teach in their subject areas. Unless corrective action is taken at local, state, and federal level, the additional demand for teachers is likely to increase the downward pressure on teacher quality.

Now is the time to redouble efforts to ensure that teachers are properly prepared and certified and receive the ongoing support and professional development they need to be effective educators.



Title I

PARENT RIGHT TO KNOW

Each public school that receives funds under the Elementary and Secondary Education Act shall make available to the parents of each student information regarding the qualification's of the student's teacher, both generally and with regard to the content area or areas in which the teacher provides instruction.



Title II

STATE EDUCATIONAL PLANS

States receiving federal funds for elementary and secondary education shall:

Ensure that all teachers have demonstrated the subject matter knowledge, teaching knowledge, and teaching skill necessary to teach effectively in the content area or areas in which they provide instruction.

Have in place an effective mechanism to remove incompetent or unqualified teachers.

Aggressively recruit teachers for high-need areas and provide incentives for teaching in such areas.



Title III

FEDERAL FUNDS USED IN THE PREPARATION OF TEACHERS

Federal funds shall be provided to postsecondary schools for the purpose of preparing or training teachers only if such postsecondary school meets nationally recognized professional standards for accreditation or if 90% of graduates who become teachers pass state and local licensing requirements.



Title IV

INCENTIVES FOR QUALIFIED TEACHERS TO ENTER HIGH-NEED AREAS

Provide student loan forgiveness for those who enter teaching in high need areas if they have demonstrated the subject matter knowledge, teaching knowledge, and teaching skill necessary to teach effectively in the content area or areas in which they provide instruction.

Provide loan forgiveness for who have been teaching in high-need areas for at least five years and who pursue and achieve advanced teaching standards.



Title V

BEGINNING TEACHER RECRUITMENT AND SUPPORT

Authorizes support for community-based partnerships that recruit, train, and support qualified entry-level teachers in high-need areas.



Title VI

NON-APPLICABILITY TO HOME AND PRIVATE SCHOOLS

Nothing in this Act shall be construed to permit, allow, encourage or authorize any federal control over any aspect of any private, religious, or home school that does not receive federal funds or does not participate in federal programs or services.

105TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

M. introduced the following bill; which was referred to the Committee on

A BILL

To increase the number of qualified teachers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Teaching Excellence
5 for All Children Act of 1997".

6 **SEC. 2. STATEMENT OF POLICY; FINDINGS.**

7 (a) STATEMENT OF POLICY.—The Congress declares
8 it to be the policy of the United States that each student
9 shall have a competent and qualified teacher.

10 (b) FINDINGS.—Congress finds the following:

1 (1) The number of elementary and secondary
2 school students is expected to increase each succes-
3 sive year between now and the year 2006, at which
4 time total enrollment will reach 54,600,000.

5 (2) As the number of students increases, the
6 need for qualified teachers will increase. Increases in
7 enrollment and teacher retirements together will cre-
8 ate demand for 2,000,000 new teachers by the year
9 2006.

10 (3) The lack of qualified teachers to meet this
11 demand is a significant barrier to students receiving
12 an appropriate education.

13 (4) The National Commission on Teaching and
14 America's Future has found that one-quarter of the
15 nation's classroom teachers are not fully qualified to
16 teach in their subject areas. Unless corrective action is
17 taken at the local, State, and Federal levels, the
18 additional demand for teachers is likely to result in a
19 further decline in teacher quality.

20 (5) Now is the time to redouble efforts to en-
21 sure that teachers are properly prepared and quali-
22 fied and receive the ongoing support and profes-
23 sional development they need to be effective edu-
cators.

1 TITLE I—PARENTAL RIGHTS

2 SEC. 101. PARENTAL RIGHT TO KNOW.

3 Part E of title XIV of the Elementary and Secondary
4 Education Act of 1965 is amended by inserting after sec-
5 tion 14514 (20 U.S.C. 8904) the following new section:

6 “SEC. 14515. TEACHER QUALIFICATIONS.

7 “Any public elementary or secondary school that re-
8 ceives funds under this Act shall make available to the
9 parents of each student information regarding the quali-
10 fications of each of the student’s teachers, both generally
11 and with regard to the content area or areas in which each
12 teacher provides instruction.”.

13 TITLE II—QUALIFIED TEACHERS

14 SEC. 201. ENSURING A QUALIFIED TEACHER IN EVERY 15 CLASSROOM.

16 To be eligible to receive funds under the Elementary
17 and Secondary Education Act of 1965, each State shall
18 ensure that—

- 19 (1) each teacher in a public elementary or sec-
20 ondary school in the State has demonstrated the
21 subject matter knowledge, teaching knowledge, and
22 teaching skill necessary to teach effectively in the
23 content area or areas in which the teacher provides
24 instruction;

1 (2) each teacher in the State for whom such
2 qualifications have been waived temporarily to re-
3 spond to emergency teacher shortages or other cir-
4 cumstances must, not later than 3 years after such
5 waiver, demonstrate the subject matter knowledge,
6 teaching knowledge, and teaching skill necessary to
7 teach effectively in the content area or areas in
8 which the teacher provides instruction;

9 (3) no student will be taught for more than 2
10 consecutive years by a teacher who does not meet
11 the criteria under paragraph (1);

12 (4) the State provides incentives for teachers to
13 pursue and achieve advanced teaching and subject
14 area content standards;

15 (5) the State has in place an effective mecha-
16 nism to remove incompetent or unqualified teachers;
17 and

✓ 18 (6) The State aggressively helps schools,
19 particularly those in high need areas, recruit
20 and retain qualified teachers.

1 **TITLE III—FEDERAL FUNDS**
2 **USED IN THE PREPARATION**
3 **OF TEACHERS**

4 **SEC. 301. MINIMUM TEACHER TRAINING STANDARDS.**

5 Title V of the Higher Education Act of 1965 is
6 amended by inserting after section 500 (20 U.S.C. 1101)
7 the following new section:

8 **"SEC. 500A. MINIMUM TEACHER TRAINING STANDARDS.**

9 "(a) GENERAL REQUIREMENT.—Any institution of
10 higher education that receives, directly or indirectly, any
11 funds appropriated pursuant to this or any other Federal
12 law for the purpose of preparing or training teachers
13 shall—

14 "(1) meet nationally recognized professional
15 standards for accreditation; or

16 "(2) demonstrate to the Secretary that at least
17 90 percent of the graduates of such institution who
18 enter the field of teaching take, and pass on their
19 first attempt, the State teacher qualification assess-
20 ment for new teachers.

21 "(b) AUTHORITY OF SECRETARY TO WAIVE.—The
22 Secretary may issue a one-time waiver, for a duration of
23 no more than 5 years, in any case in which an institution
24 of higher education can demonstrate a bona fide commit-

1 ment to, and demonstrate measurable progress toward,
2 meeting the requirements of subsection (a).”.

3 **TITLE IV—INCENTIVES FOR IN-**
4 **CREASING THE SUPPLY OF**
5 **QUALIFIED TEACHERS**

6 **SEC. 401. LOAN FORGIVENESS.**

7 (a) **GUARANTEED LOANS.**—Section 437 of the Act is
8 amended—

9 (1) in the section heading, by striking out the
10 period at the end thereof and inserting in lieu there-
11 of a semicolon and “**LOAN FORGIVENESS FOR**
12 **TEACHING**”;

13 (2) by amending the heading for subsection (c)
14 to read as follows: “**DISCHARGE RELATED TO**
15 **SCHOOL CLOSURE OR FALSE CERTIFICATION.**—”;
16 and

17 (3) by adding at the end thereof the following
18 new subsection:

19 “(e) **CANCELLATION OF LOANS FOR TEACHING.**—(1)
20 The Secretary shall discharge the liability of a borrower
21 of a loan made under section 428, 428H, or 428C (to the
22 extent that a loan made under section 428C repays a loan
23 made under section 428 or 428H) on or after the date
24 of enactment of the Teaching Excellence for All Children
25 Act of 1997, to students who have not previously borrowed

1 under any of such sections, by repaying the amount owed
2 on the loan, to the extent specified in paragraph (3), for
3 service described in paragraph (2) as a full time teacher
4 who has demonstrated, in accordance with State teacher
5 certification or licensing law, the subject matter knowl-
6 edge, teaching knowledge, and teaching skill necessary to
7 teach effectively in the content area or areas for which
8 the borrower provides instruction.

9 “(2)(A) A loan shall be discharged under paragraph
10 (1) for service by the borrower as a full-time teacher for
11 1 or more academic years in a public elementary or sec-
12 ondary school—

13 “(i)(I) in the school district of a local edu-
14 cational agency that is eligible in that academic year
15 for assistance under title I of the Elementary and
16 Secondary Education Act of 1965; and

17 “(II) that, for that academic year, has been de-
18 termined by the Secretary to be a school in which
19 the enrollment of children counted under section
20 1124(c) of that Act exceeds 30 percent of the total
21 enrollment of that school; or

22 “(ii) in an academic subject matter area in
23 which the State or local educational agency deter-
24 mines to the satisfaction of the Secretary that there
25 is a shortage of qualified teachers.

1 “(B) A loan shall be discharged under paragraph (1)
2 at the rate provided in paragraph (3)(B) for service de-
3 scribed in clause (i) or (ii) of subparagraph (A) by the
4 borrower as a full-time teacher for 1 or more academic
5 years if such borrower—

6 “(i) has engaged in such service for each of the
7 5 preceding academic years; and

8 “(ii) has pursued and achieved advanced teach-
9 ing credentials.

10 “(3)(A) Loans shall be discharged under paragraph
11 (1) for service described in paragraph (2)(A) at the rate
12 of—

13 “(i) 20 percent for the first or second complete
14 academic year of such service, which amount for
15 each year shall not exceed \$6,000;

16 “(ii) 25 percent for the third complete year of
17 such service, which amount shall not exceed \$7,500;
18 and

19 “(iii) 35 percent for the fourth complete year of
20 such service, which amount shall not exceed
21 \$10,500;

22 except that the total amount for all such academic years
23 shall not exceed \$30,000.

24 “(B) Loans shall be discharged under paragraph (1)
25 for service described in paragraph (2)(B) at the rate of

1 50 percent for each complete academic year of such serv-
2 ice, except that the total amount discharged shall not ex-
3 ceed \$5,000 for any borrower.

4 “(C) If a portion of a loan is discharged under sub-
5 paragraph (A) or (B) for any year, the entire amount of
6 interest on that loan that accrues for that year shall also
7 be discharged by the Secretary.

8 “(D) Nothing in this section shall be construed to au-
9 thorize refunding of any repayment of a loan.

10 “(4) The amount of a loan, and interest on a loan,
11 that is canceled under this subsection shall not be consid-
12 ered income for purposes of the Internal Revenue Code
13 of 1986.

14 “(5) No borrower may, for the same volunteer serv-
15 ice, receive a benefit under both this subsection and sub-
16 title D of title I of the National and Community Service
17 Act of 1990 (42 U.S.C. 12571 et seq.).

18 “(6) The Secretary shall specify in regulations the
19 manner in which lenders shall be reimbursed for loans
20 made under this part, or portions thereof, that are dis-
21 charged under this subsection.

22 “(7) If the list of schools in which a teacher may per-
23 form service pursuant to paragraph (2) is not available
24 before May 1 of any year, the Secretary may use the list

1 for the year preceding the year for which the determina-
2 tion is made to make such service determination.

3 “(8) Any teacher who performs service in a school
4 which—

5 “(A) meets the requirements of paragraph (2)
6 in any year during such service; and

7 “(B) in a subsequent year fails to meet the re-
8 quirements of such subsection,
9 may continue to teach in such school and shall be eligible
10 for loan cancellation pursuant to paragraph (1) with re-
11 spect to such subsequent years.”.

12 (b) DIRECT LOANS.—Part D of title IV of the Act
13 is amended by inserting after section 458 (20 U.S.C.
14 1087h) the following new section:

15 **“SEC. 459. CANCELLATION OF LOANS FOR CERTAIN PUBLIC**
16 **SERVICE.**

17 “(a) CANCELLATION OF PERCENTAGE OF DEBT
18 BASED ON YEARS OF QUALIFYING SERVICE.—

19 “(1) IN GENERAL.—The percent specified in
20 paragraph (3) of the total amount of any loan made
21 under this part after the date of enactment of the
22 Teaching Excellence for All Children Act of 1997, to
23 students who have not previously borrowed under
24 this part, shall be canceled for each complete year
25 of service after such date by the borrower under cir-

1 cumstances described in paragraph (2) for service as
2 a full time teacher who has demonstrated, in accord-
3 ance with State teacher certification or licensing law,
4 the subject matter knowledge, teaching knowledge,
5 and teaching skill necessary to teach effectively in
6 the content area or areas for which the borrower
7 provides instruction.

8 “(2) QUALIFYING SERVICE.—

9 “(A) IN GENERAL.—A loan shall be dis-
10 charged under paragraph (1) for service by the
11 borrower as a full-time teacher for 1 or more
12 academic years in a public elementary or sec-
13 ondary school—

14 “(i)(I) in the school district of a local
15 educational agency that is eligible in that
16 academic year for assistance under title I
17 of the Elementary and Secondary Edu-
18 cation Act of 1965; and

19 “(II) that, for that academic year, has
20 been determined by the Secretary to be a
21 school in which the enrollment of children
22 counted under section 1124(c) of that Act
23 exceeds 30 percent of the total enrollment
24 of that school; or

1 “(ii) in an academic subject matter
2 area in which the State or local edu-
3 cational agency determines to the satisfac-
4 tion of the Secretary that there is a short-
5 age of qualified teachers.

6 “(B) ACCELERATED DISCHARGE.—A loan
7 shall be discharged under paragraph (1) at the
8 rate provided in paragraph (3)(B) for service
9 described in clause (i) or (ii) of subparagraph
10 (A) by the borrower as a full-time teacher for
11 1 or more academic years if such borrower—

12 “(i) has engaged in such service for
13 each of the 5 preceding academic years;
14 and

15 “(ii) has pursued and achieved ad-
16 vanced teaching credentials.

17 “(3) PERCENTAGE OF CANCELLATION.—

18 “(A) IN GENERAL.—Loans shall be dis-
19 charged under paragraph (1) for service de-
20 scribed in paragraph (2)(A) at the rate of—

21 “(i) 20 percent for the first or second
22 complete academic year of such service,
23 which amount for each year shall not ex-
24 ceed \$6,000;

1 “(ii) 25 percent for the third complete
2 year of such service, which amount shall
3 not exceed \$7,500; and

4 “(iii) 35 percent for the fourth com-
5 plete year of such service, which amount
6 shall not exceed \$10,500;

7 except that the total amount for all such academic years
8 shall not exceed \$30,000.

9 “(B) ACCELERATED DISCHARGE.—Loans
10 shall be discharged under paragraph (1) for
11 service described in paragraph (2)(B) at the
12 rate of 50 percent for each complete academic
13 year of such service, except that the total
14 amount discharged shall not exceed \$5,000 for
15 any borrower.

16 “(C) TREATMENT OF INTEREST.—If a
17 portion of a loan is discharged under subpara-
18 graph (A) or (B) for any year, the entire
19 amount of interest on that loan that accrues for
20 that year shall also be discharged by the Sec-
21 retary.

22 “(D) REFUNDING PROHIBITED.—Nothing
23 in this section shall be construed to authorize
24 refunding of any repayment of a loan.

1 “(4) DEFINITION.—For the purpose of this sec-
2 tion, the term ‘year’ where applied to service as a
3 teacher means an academic year as defined by the
4 Secretary.

5 “(5) TREATMENT OF CANCELED AMOUNTS.—
6 The amount of a loan, and interest on a loan, which
7 is canceled under this section shall not be considered
8 income for purposes of the Internal Revenue Code of
9 1986.

10 “(6) PREVENTION OF DOUBLE BENEFITS.—No
11 borrower may, for the same volunteer service, receive
12 a benefit under both this section and subtitle D of
13 title I of the National and Community Service Act
14 of 1990 (42 U.S.C. 12571 et seq.).

15 “(b) SPECIAL RULES.—

16 “(1) LIST.—If the list of schools in which a
17 teacher may perform service pursuant to subsection
18 (a)(2)(A) is not available before May 1 of any year,
19 the Secretary may use the list for the year preceding
20 the year for which the determination is made to
21 make such service determination.

22 “(2) CONTINUING ELIGIBILITY.—Any teacher
23 who performs service in a school which—

24 “(A) meets the requirements of subsection
25 (a)(2)(A) in any year during such service; and

1 “(B) in a subsequent year fails to meet the
2 requirements of such subsection,
3 may continue to teach in such school and shall be
4 eligible for loan cancellation pursuant to subsection
5 (a)(1) with respect to such subsequent years.”.

6 **TITLE V—BEGINNING TEACHER**
7 **RECRUITMENT AND SUPPORT**

8 **SEC. 501. PROGRAM ESTABLISHED.**

9 Title V of the Higher Education Act of 1965 is
10 amended by adding at the end the following new part:

11 **“PART G—BEGINNING TEACHER RECRUITMENT**
12 **AND SUPPORT**

13 **“SEC. 599A. PROGRAM AUTHORIZED.**

14 “(a) GRANTS BY THE SECRETARY.—The Secretary
15 shall use funds pursuant to this subpart to make grants,
16 on a competitive basis, to Beginning Teacher Recruitment
17 and Support partnerships for the purpose of recruiting,
18 training, and supporting qualified entry-level teachers.

19 “(b) DURATION.—Grants shall be awarded for a pe-
20 riod of 3 years, of which no more than 1 year may be
21 used for planning and preparation.

22 “(c) BEGINNING TEACHER RECRUITMENT AND SUP-
23 PORT PARTNERSHIP.—For the purposes of this subpart,
24 the term ‘Beginning Teacher Recruitment and Support
25 Partnership’ means a partnership consisting of—

1 “(1) a local educational agency, a subunit of
2 such agency, or a consortium of such agencies; and

3 “(2) 1 or more nonprofit organizations, includ-
4 ing institutions of higher education—

5 “(A) each of which must have a dem-
6 onstrated record of success in teacher prepara-
7 tion and staff development;

8 “(B) which must have expertise and a
9 demonstrated record of success, either collec-
10 tively or individually, in providing teachers with
11 the subject matter knowledge, teaching knowl-
12 edge, and teaching skills necessary for them to
13 teach effectively in each and every content area
14 in which they plan to prepare teachers to pro-
15 vide instruction under a grant made under this
16 subpart; and

17 “(C) which include at least 1 teacher prep-
18 aration institution that has met the criteria
19 under section 500A (as added by section 301 of
20 the Teaching Excellence for All Children Act of
21 1997).

22 These entities shall jointly develop and submit their pro-
23 posal to the Department of Education.

24 “(d) BEGINNING TEACHER RECRUITMENT AND SUP-
25 PORT SCHOOL.—For the purpose of this subpart, a ‘Be-

1 ginning Teacher Recruitment and Support School' is de-
2 fined as a public elementary or secondary school—

3 “(1)(A) in a school district that is eligible for
4 assistance under title I of the Elementary and Sec-
5 ondary Education Act of 1965; and

6 “(B) that has been determined by the Secretary
7 to be a school in which the enrollment of children
8 counted under section 1124(c) of that Act exceeds
9 30 percent of the total enrollment of the school; or

10 “(2) where the State or local educational agen-
11 cy determines to the satisfaction of the Secretary
12 that there is a shortage of qualified teachers.

13 **“SEC. 599B. USES OF FUNDS.**

14 **“(a) BEGINNING TEACHER RECRUITMENT AND SUP-**
15 **PORT PARTNERSHIPS.—**Each partnership receiving a
16 grant under this subpart shall use funds to—

17 “(1) recruit and screen teaching applicants;

18 “(2) establish and conduct intensive summer
19 preplacement professional development seminars for
20 participating Beginning Teacher Recruitment and
21 Support teachers;

22 “(3) establish and conduct ongoing and inten-
23 sive professional development and support programs
24 for Beginning Teacher Recruitment and Support
25 members for their first 2 years of service; and

1 “(4) annually evaluate the performance of Be-
2 ginning Teacher Recruitment and Support teachers
3 to determine whether they meet standards for con-
4 tinued participation.

5 “(b) CRITERIA.—

6 “(1) IN GENERAL.—The partnership shall select
7 participating Beginning Teacher Recruitment and
8 Support teachers according to criteria designed to—

9 “(A) attract highly qualified individuals to
10 teaching, including individuals with post-college
11 employment experience who plan to enter teach-
12 ing from another occupational field; and

13 “(B) meet the needs of participating
14 schools in addressing shortages of qualified
15 teachers in specific academic subject areas.

16 “(2) SPECIFIC CRITERIA.—Such criteria shall
17 include that each Beginning Teacher Recruitment
18 and Support applicant selected has demonstrated the
✓ 19 ability to attain ^{the} subject matter knowledge, teaching
20 knowledge, and teaching skills necessary to teach ef-
21 fectively in the content area or areas in which they
22 will provide instruction.

23 “(3) SPECIAL CONSIDERATION.—Particular ef-
24 fort should be made to recruit individuals who are
25 members of populations that are underrepresented

1 in the teaching profession, especially in the curricu-
2 lar areas in which such individuals are preparing to
3 teach.

4 “(4) MINIMUM NUMBER OF TEACHERS PER
5 SCHOOL.—The partnership must ensure that the
6 number of beginning teachers is equal to no less
7 than 3 percent of the faculty of the schools to which
✓ 8 they are assigned, except that iⁿ no circumstance
9 shall fewer than 2 beginning teachers be assigned to
10 each school.

11 **“SEC. 599C. PARTNERSHIP APPLICATION.**

12 “In order to receive funds under this subpart, a part-
13 nership shall submit an application to the Secretary at
14 such time, in such manner, and containing such informa-
15 tion as the Secretary may reasonably require. Each appli-
16 cation shall—

17 “(1) describe how the partnership shall select
18 Beginning Teacher Recruitment and Support mem-
19 bers;

20 “(2) describe how recruitment will meet the
21 needs of participating Beginning Teacher Recruit-
22 ment and Support Schools, especially with regard to
23 the particular academic subject areas in which there
24 is a shortage of qualified teachers;

1 “(3) describe how the partnership will advance
2 the subject matter knowledge, teaching knowledge,
3 and teaching skill of all Beginning Teacher Recruit-
4 ment and Support members in the Summer Insti-
5 tutes and in ongoing professional development and
6 support activities;

7 “(4) describe how existing school faculty will be
8 involved in the planning and execution of the Sum-
9 mer Institutes and ongoing professional development
10 and support activities, including paired mentorships
11 between Beginning Teacher Recruitment and Sup-
12 port members and experienced classroom teachers;

13 “(5) provide assurances that Beginning Teacher
14 Recruitment and Support members are paid at rates
15 comparable to other entry level teachers in the
16 school district where the Beginning Teacher Recruit-
17 ment and Support member is assigned;

18 “(6) describe how the Beginning Teacher Re-
19 cruitment and Support Partnership will monitor,
20 and report not less than annually on, the progress
21 of Beginning Teacher Recruitment and Support
22 members, including:

23 “(A) the retention rate for Beginning
24 Teacher Recruitment and Support teachers in
25 comparison with other teachers in the same

1 schools in which Beginning Teacher Recruit-
2 ment and Support members teach; and

3 “(B) the academic achievement of students
4 served by Beginning Teacher Recruitment and
5 Support teachers, in comparison to those stu-
6 dents taught by other entry-level teachers; and

7 “(7) describe direct and indirect contributions
8 to the overall cost of the program by the State and
9 local educational agency, and the extent to which the
10 Beginning Teacher Recruitment and Support Part-
11 nership activities will be integrated with other pro-
12 fessional development and educational reform ef-
13 forts.”.

14 **TITLE VI—GENERAL** 15 **PROVISIONS**

16 **SEC. 601. GENERAL PROVISION REGARDING NONRECIP-** 17 **IENT NONPUBLIC SCHOOLS.**

18 Nothing in this Act shall be construed to permit,
19 allow, encourage, or authorize any Federal control over
20 any aspect of any private or religious school that does not
21 receive Federal funds or does not participate in Federal
22 programs or services under the Elementary and Secondary
23 Education Act of 1965.

1 SEC. 602. APPLICABILITY TO HOME SCHOOLS.

2 Nothing in this Act shall be construed to affect home
3 schools.