FOIA Number: 2017-1076-F

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Folder Title:
Education - HEA [Higher Education Act] Reauthorization [7]

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SUMMARY OF TITLE III REAUTHORIZATION PROPOSALS

The reauthorization proposals for the Title III - Institutional Aid Programs further the Federal effort to ensure effective education by supporting improvements in academic quality, institutional management, and endowments at institutions serving disadvantaged and minority students. Further, the proposals will help to ensure that the Title III programs respond effectively to areas of future growth in higher education and that they encourage capacity-building for and effective use of technology.

Simplify Program Delivery and Improve Management:

- Improve program management by having a continuous eligibility process.
- Reduce institutional and Department staff burden by awarding eligibility for three years instead of one year.
- Add a needy student waiver and an E&G waiver for tribally-controlled community colleges.
- Improve program management by deleting priority system under Title III, Part A and replacing it with a two-year wait-out period.
- Improve program management by allotting two percent of the annual Title III appropriation for administrative costs.

Effective Education:

- Revise the allowable activities section of Part B to permit institutions to use up to 20% of their grants for endowment building.
- Expand eligibility to include more participants in the Historically Black Graduate Institutions program.
- Develop separate Parts of Title III for Tribally-controlled colleges and Hispanic-serving institutions. (Fund tribal colleges on a competitive basis or formula grants?)
- Emphasize the improvement of the technological capability of Title III institutions.

Streamline the Statute:

- Eliminate Part C - Endowment Challenge Grant Program.

LIST OF TITLE III REAUTHORIZATION PROPOSALS

1. Institutional eligibility will continue to be determined by the present requirements (i.e., percentage of needy students and average expenditure of E&G per FTE).

2. Add a needy student waiver option and an E&G waiver option for Tribally-Controlled Colleges (TCC).

3. Add the E&G waiver options to the statute.

3. Provide a continuous process for determining institutional eligibility.

4. Eligibility will be granted for a period of three years.

5. The priority system for Part A institutions will be deleted and replaced with a two-year wait-out period, except for institutions that receive planning grants.

6. The funding trigger for the HSI program is eliminated.

7. Eliminate the third element of the definition of an HSI (25% either low income or first generation).

8. Provide a separate Part for the Hispanic-serving institutions program.

9. Revise the allowable activities section of Part B by permitting HBCUs to use up to 20% of their grants for endowment building. Institutions must provide a match.

10. The matching requirement for HBGIs is clarified to require a 50% match for only those grant amounts over $500,000.

11. The list of eligible HBGIs should be expanded.

12. Delete the names of specific HBGI programs and insert the phrase "qualified graduate program."

13. Part B institutions that merge with Part A institutions will have the option of participating in either Part A or Part B and this newly merged institution is considered one institution.

14. Eliminate the Part C - Endowment Challenge Grant Program.

15. Allot 2 percent of the Title III appropriation for administrative costs including one half of one percent to fund studies.

16. Transfer the Minority Science Improvement Program as a separate part of Title III.

17. Emphasize or prioritize strengthening the technological capability of all Title III institutions.

Delivery Systems Reauthorization Proposals

The reauthorization proposals relating to delivery systems further the overall goal of improving management of the programs. The recommendations are as follows:

1. Delete reference to "multiple data entry forms."

2. Allow the FAFSA to collect additional data elements for the purpose of awarding student financial assistance. Delete the limitation of eight nonfinancial items used by the States.

3. Delete the requirement that the Secretary develop a separate loan application for the FFEL program. Allow the FAFSA to be used as the loan application in the FFEL as well as the Direct Loan program.

4. Update the section on contracts for collection and processing to reflect current status of MDE contractors and their relationship to FAFSA processing.

5. Delete the requirement that ED ensure that one of the contractors serve graduate and professional students.

6. Add statutory language that provides authority for the Secretary to modify any requirement in consultation with affected parties concerning applying for aid and delivery of funds to take into account new technology and new business processes if those modifications would better meet the needs of students and other systems-users.

7. Provide authority for the Secretary to provide system services for non-Title IV student aid/scholarship purposes and authority to charge and retain fees for such services (except to students and parents). - assumes internal (EASI)

8. Pay schools and third party servicers for processing electronic applications and corrections according to ED's quality and editing requirements.

9. Delete the requirement that any person who assists another in completing a FAFSA provide his/her name, signature, address, etc.

10. Delete expired section involving antitrust.

Gatekeeping and Oversight

- Summary of proposals
- List of proposals

Summary of Gatekeeping and Oversight Reauthorization Proposals

Access:

- Allow distance learning programs and institutions (degree-granting programs or regionally accredited institutions) to be eligible for Title IV aid by repealing current requirements limiting the percentage of correspondence courses that can be offered by institutions. Ensure accountability of these programs through accreditation by authorizing an independent study (by the National Academy of Sciences or the National Association of Public Administration, for example) to examine the effectiveness with which accrediting agencies are developing and enforcing outcome measures for distance learning programs.
- Extend the exemption from cohort default rate penalties to Historically Black Colleges and Universities and tribally controlled community colleges so long as those institutions are showing continuous improvement in their default rates.

Effective Education -- High Standards/High Achievement:

- Extend the 70/70 completion and placement requirement to all vocational programs up to one-year in length. Modify the existing requirement by allowing institutions to meet the requirement if 70 percent of their students are placed in jobs for which they are trained regardless of whether they complete the program.

Simplify Program Delivery and Improve Management:

- Repeal State Postsecondary Review Entity Program.
- Provide the Secretary the authority to develop a performance-based approach to statutory and regulatory requirements whereby the Secretary would exempt institutions from selected administrative requirements provided they meet stringent performance criteria.
- Terminate from Title IV eligibility foreign institutions with cohort default rates greater than one-half the national average for each year. Limit submission of financial statement audits and compliance audits to foreign schools with high loan volumes. Extend the time between recertification to seven years for low loan volume foreign schools.
- Terminate an institution's participation form the Perkins Loan program if its Perkins default rate exceeds 25 percent for the three most recent years. Make other related provisions consistent with FFEL program.
- Institutions that unsuccessfully appeal high cohort default rates and that choose to receive loans during the appeal process will be held liable by posting surety in an amount sufficient to cover these costs.
- Repeal the refund requirements and substitute a simplified proposal that incorporates a disbursement schedule that determines the amount of Title IV aid a student has earned when the student ceases attendance. Some minimum requirements for refunds will be established.
- Provide the Department the authority to issue administrative subpoenas in pursuing termination actions against institutions.
- Broaden the authority for the Quality Assurance program.

List of Gatekeeping and Oversight Reauthorization Proposals

1. Allow distance learning programs and institutions (degree-granting programs or regionally accredited institutions) to be eligible for Title IV aid by repealing current requirements limiting the percentage of correspondence courses that can be offered by institutions and making other technical changes in the areas of institutional eligibility, student eligibility, and cost of attendance.

2. Ensure accountability of distance learning programs through accreditation and assist the Department in monitoring the accrediting agencies by authorizing an independent study (by the National Academy of Sciences or the National Association of Public Administration, for example) to examine the effectiveness with which accrediting agencies are developing and enforcing outcome measures for distance learning programs.

3. Repeal State Postsecondary Review Entity Program.

4. Repeal State share of default costs provision (also included in budget).

5. Limit required unannounced reviews by accrediting agencies to those agencies at which at least 10 percent of the institutions they accredit have cohort default rates for the most recent year of 20 percent or higher. Allow the option for all accrediting agencies to conduct unannounced site visits when they are deemed necessary by the agency.

6. Provide the Secretary the authority to develop a performance-based approach to statutory and regulatory requirements whereby the Secretary would exempt institutions from selected administrative requirements provided they meet stringent performance criteria.

7. Terminate from Title IV eligibility all foreign institutions with cohort default rates greater than one-half the national average for each year. Impose no compliance requirements on deferment-only institutions. Limit submission of financial statement audits and compliance audits to foreign schools with high loan volumes (less than $500,000). Extend the time between recertification to seven years for low loan volume foreign schools.

8. Extend the 70/70 completion and placement requirement (i.e., 70 percent of students must complete and 70 percent of them must obtain employment in the field they are trained) to *all* vocational programs up to one-year in length. Modify the requirement by allowing institutions to meet the requirement if 70 percent of their students are placed in jobs for which they are trained regardless of whether they complete.

9. Impose the existing 85/15 requirement on institutions that switch from for-profit to non-profit during a two-year transition period.

10. Institutions that unsuccessfully appeal high cohort default rates and that choose to receive

loans during the appeal process will be held liable by posting surety in an amount sufficient to cover these costs.

11. Clarify that, in submitting cohort default rate appeals based on allegations of improper loan servicing, a school may request only copies of the records received by the guaranty agency in deciding whether to pay a claim and maintained by the agency.

12. Clarify that loans which the Department determines were improperly serviced are eliminated from both the numerator and denominator in the calculation of the cohort default rate.

13. Terminate an institution's participation form the Perkins Loan program if its Perkins default rate exceeds 25 percent for the three most recent years. Add a provision allowing schools to appeal loss of Perkins eligibility based on mitigating circumstances as determined by regulation. Eliminate the provision that allows for the exclusion of improperly serviced loans from the calculation of Perkins cohort default rates. Eliminate the submission of a default reduction plan.

14. Repeal the refund requirements and substitute a simplified proposal that incorporates a disbursement schedule that determines the amount of Title IV aid a student has earned when the student ceases attendance. Some minimum requirements for refunds will be established.

15. Provide the Department the authority to issue administrative subpoenas in pursuing termination actions against institutions.

16. Make technical changes to the definition of eligible institution (in Sections 481 and 1201) that would eliminate duplicative and confusing language. In addition, the changes would clarify that graduate and professional programs are eligible to participate in programs authorized under the HEA, and specify that community colleges offering short-term programs are not subject to a two year waiting period for eligibility.

17. Repeal Section 498(f) that requires the Department to conduct site visits at institutions for each certification or recertification and allows the Department to charge institutions for the costs associated with these site visits.

18. Broaden the statutory authority for the Quality Assurance program into additional areas beyond verification.

19. Extend the exemption from cohort default rate penalties to Historically Black Colleges and Universities and tribally controlled community colleges so long as those institutions are showing continuous improvement in their default rates.

REAUTHORIZATION ISSUES -- GRADUATE EDUCATION SUMMARY

It is incumbent on the Federal Government to foster and support graduate education in order to enhance the quality of life; to ensure the technological and economic superiority of the United States of America; and, to improve and expand the teaching capacity of the US. We therefore propose a single graduate education program which would provide incentives and support for US citizens, especially students from traditionally underrepresented populations, to complete doctoral and masters' degree programs leading to academic careers in areas of national need.

CURRENT PROGRAMS

Currently under Title IX, there are 7 programs, of which three are funded. These programs are:
A. Grants to Institutions to Encourage Women and Minority Participation
B. Patricia Roberts Harris Fellowships (Funded)
C. Jacob K. Javits Fellowships (Funded)
D. Graduate Assistance in Areas of National Need (Funded)
E. Faculty Development Fellowships
F. Assistance for Training in the Legal Profession
G. Law School Clinical Experience.

PROPOSAL

The revised Title IX of the HEA will consist of one program: The National Need Graduate Fellowship Program. This program would consolidate the purposes of the GAANN, Patricia Roberts Harris, and Javits Fellowship programs (HEA, Title IX , parts B,C,D). All other Title IX programs (Parts A, E, F & G) would be eliminated.

- Focus of the Program
  - National Need by Discipline
    - Legislation would read: "the Secretary shall designate on a periodic basis areas of national need, such as the arts, humanities, social sciences, life sciences, or physical sciences." Areas of National Need will be determined in consultation with appropriate Government agencies and other organizations, utilizing statistics on current and projected needs in academic fields, and students currently in the academic pipeline.
  - Traditionally Underrepresented
    - Applicants must demonstrate commitment to recruiting and training students from traditionally underrepresented populations. Define "Traditionally Underrepresented" in the statute so that the Secretary may determine on a periodic basis what segments of the population are underrepresented.

- The program will focus on teaching and research and will be awarded to those students demonstrating superior ability. Would include non-professional Doctorates and Terminal non-professional masters degrees. Professional degrees, such as MBA, MD and JD would not be eligible. May include teaching-oriented Doctorates in Professional fields (Engineering, Law). The fellowship may not be used at schools or departments of divinity.

- Institutional-based awards. Grants shall not be made of less than $125,000 or greater that $750,000. Degree granting institutions, departments, and programs would be eligible to apply. When the Secretary determines that a grantee is unable to use all of the funding available to it, the Secretary may re-allot those funds to programs which can use the funds authorized for this program. Continuation funding will have priority over new awards.

- Consistent with the allocation of awards based on the quality of competing applications, the Secretary shall promote an equitable geographic distribution among public and private institutions of higher education.

- Grantees will be required to provide data on performance indicators and measures which address: Input Assessment (student quality); Program Performance (student experience and skill building); and, Outcome Assessment (Placement, development of ind. research).

- An institutional match based on the GAANN 25% model - the grantee will provide from other non-Federal funds, for purposes of the fellowship program, an amount equal to at least 25% of the amount received.

- Only entering students would be eligible; students with existing graduate credit in a particular program would be ineligible.

- Grants would provide for 3 years of support or completion of the degree, whichever is less. Students must demonstrate academic progress to continue to receive fellowship funding.

- A recipient's financial need would not determine the size of the stipend; the stipend will be set according to the NSF stipend. The institutional allowance will be a $10,000 97-98 base adjusted annually by inflation as determined by the Department of Labor's CPI.

- The academic department must provide at least one year of supervised training in instruction.

- Budgeted funds will include a set-aside to fund NCC's for prior awards under GAANN, Javits, and Harris prior to funding new awards. Those grants will be funded under the original terms of award.

- Request an appropriation of $50,000,000 to carry out this program.

SUMMARY OF TITLE VI REAUTHORIZATION PROPOSALS
INTERNATIONAL EDUCATION

The Department is recommending that the international education programs continue to be administered as separate programs under Title VI. The reauthorization proposals include minor changes to the legislation to streamline the statute and to provide better outreach to the foreign language community.

Access and Effective Education

Revise Sec. 603 Language Resource Centers to strengthen responsibility of Centers to provide service to a broader range of the education community

- Strengthen the responsibility of the Language Resource Centers to serve as resources to improve foreign language teaching and learning in K-12.
- Require Language Resource Centers to focus on a specific world area and to carry out their activities in collaboration with foreign language educators and professional associations.
- Integrate the dissemination function into each of the Language Resource Center activities as an essential component.
- Encourage Language Resource Centers to utilize the advances in educational technology.
- Authorize Language Resource Centers to conduct domestic and overseas intensive summer language programs.

Streamline the Statute

- Eliminate Intensive Summer Language Institute Program and Foreign Periodicals Program. These programs are not currently funded.
- Eliminate requirement for Preservation of Pre-1992 Programs.

Student Loans

- **Summary of new loan proposals**
- **List of new loan proposals**
- **Summary of student loan provisions in the Administration's budget**

Summary of New Loan Reauthorization Proposals

The following is a summary of new proposals for reauthorization of the loan programs. Proposals from the President's FY98 budget will be added to these proposals to form the complete reauthorization package. The new proposals are designed to increase benefits to students, reduce burden and increase flexibility for institutions, improve the FFEL program, improve program management, and streamline the statute.

Access:

Increase benefits to students:

- Eliminate origination fees for all borrowers in both programs.
- Allow institutions to provide higher loan limits for graduate and professional programs if they are willing to share in the default risk.
- Improve borrower benefits in the Perkins program including establishing a rehabilitation program and extending forbearance provisions.
- Reduce frequency of capitalization for FFEL borrowers.

Improve management:

Increase institutional flexibility and reduce of burden:

- Allow institutions to limit borrowing for certain categories of students such as freshman or students in particular programs.
- Establish a line of credit/multi-year promissory note.
- Obtain authority to use imaged promissory notes.

Improve the FFEL program:

- Make changes in statute designed to ensure loan access.
- Eliminate statutory restrictions on the Secretary's ability to impose fines.
- Prohibit schools and insurance companies from acting as lenders.

Improve program management:

- Require data base matching for PLUS loans.
- Define "default" in the Perkins loan program as 180 days past due.
- Create federal borrower defenses to collection of student loans.
- Improve debt collection by increasing Departmental access to data sources, requiring direct matching of state employee records and salary offset, and extending the period for reporting negative credit information.

Streamline the statute:

- Eliminate programs that are unnecessary or have never been funded.

List of New Loan Reauthorization Proposals

I. Terms of Loans/Equalization of Benefits:

1. Origination fees: Eliminate all origination fees in both programs.

2. Frequency of interest capitalization: Require FFEL lenders to capitalize interest only when borrowers enter repayment and at status changes.

3. PLUS loans: Require data base matching for PLUS loans; don't hold students jointly liable or establish a $15,000 loan limit.

4. Loan limits for HEAL and other borrowers in high cost programs: Allow institutions to provide higher loan limits for graduate and professional programs if they are willing to share in the default risk for the portion above other loan limits.

5. Flexibility of institutions to limit borrowing: Allow institutions to limit borrowing for certain categories of students such as freshman or students in particular programs.

6. Line of credit/multi-year prom note: Establish a line of credit/multi-year prom note.

7. Discharges: Eliminate the bankruptcy discharge.

8. Borrower defenses: Create federal borrower defenses to collection of student loans.

9. Imaged promissory notes: Obtain authority to use imaged promissory notes.

10. Rehabilitation of Perkins loans: Request authorization for a Perkins rehabilitation program.

11. Definition of "default" in Perkins program: Define "default" in the Perkins program as 180-days past due.

12. Forbearance in Perkins program: Provide forbearance provisions in the Perkins program that are consistent with the FFEL and Direct Loan programs.

13. Origination fees: Eliminate all origination fees for all borrowers.

II. FFEL Management and Operations:

14. Loan access: Amend nondiscrimination provisions to specify that secondary markets must offer to purchase any non-delinquent, eligible loan offered to them at no less than par plus accrued interest. Clarify that lender of last resort provisions apply to unsubsidized as well as subsidized loans. Allow the Secretary to make advances directly to lenders for lender of last resort loans, rather than having to use guaranty agencies as intermediaries. Allow the Secretary to make Direct Loans as lenders of last resort, irrespective of the school's nonparticipation in the program or any volume cap.

15. Delegation of functions: Require all eligible participants to actively monitor the activities of their delegees and prohibit indemnification of eligible participants by their delegees.

16. Fines: Eliminate statutory restrictions on the Secretary's ability to impose fines.

17. Substance versus form: Add explicit statutory authority for the Secretary to evaluate transactions of lenders and guaranty agencies on the basis of their substance over their form.

18. Schools as lenders: Prohibit schools from acting as lenders unless the Secretary determines that it is necessary to provide access.

19. Insurance companies as lenders: Prohibit insurance companies from acting as lenders.

20. Collection of lender fees: Make lender fees directly collectible.

21. District of Columbia Loan Program: Delete authority for a guaranty agency for the District of Columbia.

22. Doing-business plans: Delete requirement that secondary markets prepare Doing-business plans.

23. Exceptional performers: Delete provisions that allow 100 percent insurance for lenders and servicers whose compliance-performance rate exceeds 97 percent.

24. Lender referral services: Delete authority to allow payments to guaranty agencies for referring students to lenders.

25. Loan forgiveness: Delete authorization for loan forgiveness for teachers and other professions.

26. Special allowance: Cut special allowance payments in half for new loans financed by tax-exempt funds, but do not create a floor on reduced payment.

27. Interest charged before institution credits borrower's account: Provide that lenders may not charge interest on either subsidized or unsubsidized loans before the institutions have credited borrower accounts for the loan proceeds. Make this provision applicable to first and subsequent disbursements.

III. Debt Collection

28. Access to data sources: Increase access to data sources.

29. Direct matching of state employee records and salary offset: Secure authority to match with state records and to offset state salaries.

30. Period for reporting negative credit information: Seek authority to report negative credit

information indefinitely.

Summary of Student Loan Provisions in the Administration's Budget

- Reduces borrower origination fees.

    - Cuts fees on subsidized loans in half from 4% to 2%.
    - Reduces fees on unsubsidized loans from 4% to 3%.

- Provides new repayment plans to FFEL borrowers.

    - FFEL lenders will be required to offer the extended and graduated repayment plans currently available in the Direct Loan program.
    - Lenders will continue to offer their current income-sensitive repayment plans.

- Requires FFEL lenders to offer the same benefits (*e.g.*, origination fees and interest rates) to all of their borrowers.

- Improves terms of FFEL consolidation loans to match those in Direct Loans.

    - FFEL consolidation loans will have variable interest rate, will allow in-school consolidation and consolidation of consolidation loans, and will provide for interest subsidy retention when borrowers consolidate subsidized loans with unsubsidized loans.

- Transforms guaranty agencies to clarify that the federal government is the sole guarantor of FFEL loans. Guaranty agencies will act as third-party servicers of federal guarantees under performance-based agreements. The Department will pay 100 percent of lender default claims and will recall federal funds held in reserve by guaranty agencies over five years.

- Raises lender risk sharing from 2 to 5 percent.

- Reduces the percentage of default collections that guaranty agencies may retain from 27 to 18.5 percent.

- Requires Sallie Mae fee on securitized loans.

- Replaces supplemental/pre-claims assistance payments with performance-based lender payments to guaranty agencies tied to agency success in bringing delinquent loans current.

- Sets in-school interest rate at the ED borrowing rate.

- Reduces Section 458 administrative costs.

- Computes special allowance rates at the same time and in the same manner as student interest rates.

Grants and Campus-Based Programs

- Summary of proposals
- List of proposals

Summary of Grants and Campus-Based Reauthorization Proposals

The reauthorization proposals for the grant and campus-based programs further the overall goals of improving access to postsecondary education, providing effective education, and improving management of the programs.

Access:

only if we can pay for them —

no

- Consider whether to transform the Pell Grant program into a true entitlement program, whether to change the maximum and minimum Pell award levels, and whether to create a "Pell Grant Guarantee." — not in current draft

$200 → $400

Effective Education:

remedial probably included.

- Consider whether to reintroduce time-limits on student eligibility for Pell Grants. 150% of program (eligibility)
- Consider whether to limit the eligibility of ESL courses to those included as remedial or as a noncredit component of another program.

i.e. standalone programs are good & expensive ...
⇒ outcome measures

Improving management:

- Increase institutional flexibility and reduce burden by eliminating the requirement that institutions provide at least 5% of funds for each campus-based program to independent and less than half-time students; permitting more flexibility in crediting a student's account for additional cost of attendance items; revising the requirement that an institution award FSEOG awards first to Pell recipients in lowest EFC order; and eliminating the penalty for failure to expend at least 5% of FWS allocation on community service.

- Improve program management by phasing out the requirement to advance 85% of Pell funds to institutions when the alternative just-in-time procedure becomes available; and removing the excess funds provision that directs when excess funds may be carried over to the next fiscal year.

— Pell Grants for prisoners

× — Do FWS as in AmCorp ? ?

List of Grant and Campus-Based Reauthorization Proposals

I. Pell Grants:

1. Number of certificate programs that a student can attend: No change.

2. Pell Grant entitlement: Outstanding.

3. Requirement to advance 85% of Pell funds to institutions: Retain the requirement but add a provision to phase out the requirement as an alternative ("just-in-time") procedure becomes available.

4. Option to pay Pell recipients directly: No change.

5. Provision that specifies that the combination of Pell, family contributions, FSEOG, and SSIG provide at least 75% of the student's cost of attendance: Eliminate the provision and replace it with our "philosophy."

6. Publication of a schedule of reductions for enrollment status less than half-time: Remove requirement to publish the schedule in the Federal Register; continue to publish it by Feb. 1.

7. Possible revisions to Pell Grant award rules to provide sensitivity to the student's actual cost of attendance: No change.

8. Pell Grant maximum award levels: Outstanding.

9. Minimum Pell Grant award: Outstanding.

10. Pell eligibility for incarcerated students: Outstanding.

11. Time-limits on student eligibility for Pell: Outstanding -- possibly reintroduce at 150% of course, but exempt disabled students.

12. Eligibility of courses in English as a Second Language (ESL): Outstanding -- possibly tie institutional eligibility to pass rates on TOEFL.

13. Applying for a Pell Grant: Remove the paragraph concerning applying for a Pell Grant from Pell section of the law.

14. Pell language on distribution of grants to students: Modify language to reflect current cash management regulations which would permit institutions more flexibility in crediting a student's account for additional cost of attendance items.

15. Contractor reporting of the calculation of eligibility for a Pell Grant: Eliminate this

provision; clean up in all programs, not just Pell.

16. Contractor processing of applications: Remove this paragraph.

17. Excess funds provision that requires carry-over to next fiscal year if funds available are less than 15% in excess: Eliminate this provision.

18. "Pell Grant Guarantee": Outstanding.

II. Campus-Based Programs:

19. Requirement that an institution provide at least 5% of funds for each campus-based program to independent and less-than-half-time students if such students account for at least 5% of the total need: Eliminate this requirement.

20. Institutional flexibility in transferring funds among the campus-based programs: No change.

21. Institutional need formulas: Modify institutional need formulas to provide authority for the Secretary to require institutions to report student data by EFC categories instead of income categories for purposes of determining institutional need.

22. Requirement that an institution first award FSEOGs to Pell recipients in lowest EFC order: Modify to require institutions to serve Pell grant recipients first, to the extent feasible.

23. List of allowable resources that institutions can include in the non-Federal share for matching purposes: No change.

24. Maximum and minimum FSEOG award requirements: No change.

25. Special provision for Work Colleges: No change.

26. Language that provides for a discretionary allocation of FWS funds by the Department under certain conditions: No change.

27. Community service: Eliminate the penalty for institutional failure to expend at least 5% of its allocation for community service and replace it with a "carrot" approach -- no penalty for under 5%; 80% match on community service component for 5 to 10%; 90% match for greater than 10%.

28. Date for capital distribution of the Federal Perkins Loan funds at institutions: Amend provision to provide general authority for the Secretary to implement procedures to liquidate the program if authorization lapses.

Summary of Need Analysis Reauthorization Proposals

The reauthorization proposals for the Federal need analysis formulas further the overall goals of improving access to postsecondary education, and improving management of the programs.

Access:

- Consider whether to eliminate or modify the use of cash/savings assets. Most [illegible] reality...
- Consider whether to modify the contribution from dependent student earnings.

Improving Management:

- Consider whether to allow prior prior year data as a substitute for base year data. could work w/ IRS and could speed process routine.
- Consider whether to allow less than annual need determination for AFDC applicants only. Prob. not.
- Consider whether to allow schools professional judgment authority to change a student's dependency status from independent to dependent. No.
- Improve program management income by data matching with IRS through Title IV aid requirement of applicant authorization for sharing of applicant data with IRS. OIRA?
- Consider whether to allow schools under extraordinary circumstances only, the professional judgment authority to change the final EFC amount. Would still have to document.
- Consider whether changes to the master calendar to increase institutional flexibility by limiting applicability to regulations relating to the calculation of awards and delivery of funds to students. Additionally, whether to allow the Secretary to designate regulations which schools or other entities could choose to implement before the effective date. Nov. 1

List of Need Analysis Reauthorization Proposals

1. Assets: Options under consideration

   (a) Eliminate cash savings in Federal need analysis.
   (b) Replace current asset protection allowances with an expected cash savings contribution.

2. Dependent student earnings: Options under consideration

   (a) Increase student income protection allowance from $1,750 to $3,500.
   (b) Combine student available income with parents available income.

3. Prior prior year data:

   (a) Allow prior prior year data as a substitution for base year data in need methodology formulas.

4. Federal need analysis determination:

   (a) Allow less than annual need determination for AFDC applicants only.

5. Professional judgment authority for dependency status determination:

   (a) Allow schools the authority to change a student's dependency status from independent to dependent.

6. FAFSA applicant's authorization to release their data to IRS:

   (a) Title IV federal aid requirement to share application data with the IRS for purposes of an income match.

7. Other than 9 month need analysis calculation:

   (a) Extend eligibility for an other than 9 month EFC calculation to independent students.

8. Cost of attendance for correspondence students:

   (a) Delete reference to correspondence students in the cost of attendance for all students, other than incarcerated students, who are enrolled at least half-time.

9. Professional judgment authority to change the final EFC amount:

   (a) Allow schools the professional judgment authority to change the final EFC amount, in addition to adjusting the data elements only under extraordinary circumstances as defined by the Secretary.

10. Study abroad provision:

   (a) Eliminate the study abroad provision in the statute.

11. Certification for GSL eligibility:

   (a) Delete this reference in the statute.

12. Loss of eligibility for violations of loan limits:

   (a) Delete the term fraudulently in reference to this statute.

13. Modify eligibility for automatic zero EFC calculation:

   (a) Improve and simplify the current definition of eligibility for an automatic zero EFC calculation. Eliminate the confusion caused by the current requirement "eligible to file an IRS income tax form 1040a or 1040ez".

14. Master calendar changes:

   (a) Limit applicability to regulations relating to the calculation of awards and delivery of funds to students. In particular, apply the publication deadline to regulations governing student consumer disclosures, student eligibility, need analysis, cost of attendance determination of award amounts, and delivery of funds to students. Change the delay of effective date of late publications from December 1 to November 1.

   (b) Allow the Secretary to designate regulations which schools or other entities could choose to implement before the otherwise applicable effective date.

LINKAGE ISSUES

TRIO Programs, Minority Science Improvement Program,
National Early Intervention Scholarship and Partnership Program,
Urban Community Service Program, High School Equivalency
and College Assistance Migrant Programs

- Summary of Reauthorization Proposals and Issues

- List of Reauthorization Proposals and Issues

Summary of Linkage Reauthorization Proposals/Issues

Simplify program delivery and improve management

- Simplify and improve management of the federal TRIO Programs by standardizing grant duration at four years, and providing authority to the Secretary to award contracts as well as grants for training of TRIO project personnel.

- Consolidate program management by reauthorizing the High School Equivalency and College Assistance Migrant Programs as separate programs within TRIO. *

  – Move to OPE.

- Streamline program delivery by reauthorizing the Minority Science Improvement Program as a separate part within Title III.

- Simplify administration of TRIO Student Support Services Program projects (for grantees) by eliminating the unnecessary statutory requirement that they meet the full financial need of participating students.

Improve outreach to potential students and ensure strong links among elementary and secondary education, postsecondary education, and employment.

- Encourage middle school students to develop aspirations for postsecondary education and ensure that they develop the academic skills necessary to succeed.

  - Augment the federal guarantee of aid for students in high-poverty schools with a comprehensive array of counseling, mentoring and tutoring services beginning in sixth grade. To qualify for the guarantee of aid for their students, schools will partner with community-based organizations, businesses, and other groups to establish an academic, counseling and mentoring support network to help ensure student success.
  - Redefine the TRIO Talent Search Program (or develop new program) to become an early intervention and academic support program for middle school students.

  * Current Grantees

  — from $150 product to $1500 or more

- Promote innovation and flexibility in the TRIO Programs by setting aside program funds for innovative and experimental projects, and assigning priority points to applicants from under-served geographic areas.

- Strengthen links between elementary and secondary education and institutions of postsecondary education by focussing Urban Community Service Program activities on the development of partnerships which address education issues and problems.

  Urban Init.

List of Linkage Reauthorization Proposals/Issues

1. Trio Talent Search Program: Redefine TRIO Talent Search to become an early intervention and academic support program for middle school students; include the outreach and information dissemination activities currently provided by the program in the TRIO Educational Opportunity Centers Program.

   Merge the existing Talent Search Program with the Educational Opportunity Centers Program. Create a new program--as described above, but possibly with the Talent Search name--for comprehensive early intervention services to middle school students.

2. TRIO Programs: Prior experience preference points for incumbent projects.

   Retain prior experience points in statute.

3. TRIO Programs: Geographic areas under-served by TRIO Programs due to low turnover among funded projects; flexibility to respond to changing demographics.

   Give funding priority to under-served geographic areas (as part of grant competition assign points).

4. TRIO Programs: Set aside funds for Innovative and Experimental Projects.

   Set aside up to two percent of funds for innovative and experimental projects.

5. TRIO Training Program: Authority to make both contracts and grants under the Trio Training Program; eliminate prior experience points in this Trio program.

   Extend to the Secretary the authority to award contracts (as well as grants) for Trio training; eliminate prior experience points for Trio training grants.

6. Trio Programs: Standardize grant duration.

   Standardize grant duration at four years.

7. Trio Programs: Requirement that grantees in the Trio Student Support Services Program meet program participants' full financial need.

   Eliminate this requirement from statute.

8. Minority Science Improvement Program (MSIP): Program simplification and streamlining.

   Reauthorize MSIP as a separate part within the Title III Programs.

9. National Early Intervention Scholarship and Partnership Program (NEISP): Define approach to early intervention.

   Repeal this program. (Replace with guarantee of federal aid coupled with school and community-based counseling/mentoring.)

10. Early intervention component of the proposed guarantee of federal aid for postsecondary education to sixth grade students in high poverty schools.

   Include a component as part of the aid guarantee proposal requiring that for schools seeking such a guarantee for their students, these schools will need to establish a comprehensive support program of counseloring, tutoring, and mentoring. The academic and other support services will likely be drawn from among community-based organizations, local businesses, church groups, etc. and will provide on a volunteer basis the support these students require in order to complete high school and continue on to pursue a postsecondary education.

11. Urban Community Service Program: Redefining program purpose and operation.

   Restrict program purpose to address only urban education issues, focussing on school partnerships. Model program more along lines of the School, College, and University Partnerships Program (SCUP).

12. High School Equivalency and College Assistance Migrant Programs (HEP/CAMP): Proper treatment of migrant education needs in HEA.

   Reauthorize these migrant education programs as part of TRIO, remaining separate programs within TRIO.

6/11/97

- STEP — shd. there be a cap?

"cut off"

- or 'at least' or 'up to'

- Highlights All but is only small portion...

- Front-loading
  - expensive
  - cliff effect - they leave...

- Experiments??
  - Well adult do it...

- Super-All for achievement (instead of Pres. Honors)
  - already have Byrd.

- Cash savings

Gatekeeping and Oversight

- **Summary of proposals**
- **List of proposals**

Summary of Gatekeeping and Oversight Reauthorization Proposals

Access:

- Allow distance learning programs and institutions (degree-granting programs or regionally accredited institutions) to be eligible for Title IV aid ~~by repealing~~ current requirements limiting the percentage of correspondence courses that can be offered by institutions. Ensure accountability of these programs through accreditation by authorizing an independent study (by the National Academy of Sciences or the National Association of Public Administration, for example) to examine the effectiveness with which accrediting agencies are developing and enforcing outcome measures for distance learning programs.
- Extend the exemption from cohort default rate penalties to Historically Black Colleges and Universities and tribally controlled community colleges so long as those institutions are showing continuous improvement in their default rates.

Effective Education -- High Standards/High Achievement:

- Extend the 70/70 completion and placement requirement to all vocational programs up to one-year in length. Modify the existing requirement by allowing institutions to meet the requirement if 70 percent of their students are placed in jobs for which they are trained regardless of whether they complete the program.

Simplify Program Delivery and Improve Management:

- Repeal State Postsecondary Review Entity Program.
- Provide the Secretary the authority to develop a performance-based approach to statutory and regulatory requirements whereby the Secretary would exempt institutions from selected administrative requirements provided they meet stringent performance criteria.
- Terminate from Title IV eligibility foreign institutions with cohort default rates greater than one-half the national average for each year. Limit submission of financial statement audits and compliance audits to foreign schools with high loan volumes. Extend the time between recertification to seven years for low loan volume foreign schools.
- Terminate an institution's participation form the Perkins Loan program if its Perkins default rate exceeds 25 percent for the three most recent years. Make other related provisions consistent with FFEL program.
- Institutions that ~~unsuccessfully~~ appeal high cohort default rates and that choose to receive loans during the appeal process will be held liable by posting surety in an amount sufficient to cover these costs.
- Repeal the refund requirements and substitute a simplified proposal that incorporates a disbursement schedule that determines the amount of Title IV aid a student has earned when the student ceases attendance. Some minimum requirements for refunds will be established.

- Provide the Department the authority to issue administrative subpoenas in pursuing termination actions against institutions.
- Broaden the authority for the Quality Assurance program.

List of Gatekeeping and Oversight Reauthorization Proposals

1. Allow distance learning programs and institutions (degree-granting programs or regionally accredited institutions) to be eligible for Title IV aid by repealing current requirements limiting the percentage of correspondence courses that can be offered by institutions and making other technical changes in the areas of institutional eligibility, student eligibility, and cost of attendance.

2. Ensure accountability of distance learning programs through accreditation and assist the Department in monitoring the accrediting agencies by authorizing an independent study (by the National Academy of Sciences or the National Association of Public Administration, for example) to examine the effectiveness with which accrediting agencies are developing and enforcing outcome measures for distance learning programs.

3. Repeal State Postsecondary Review Entity Program.

4. Repeal State share of default costs provision (also included in budget).

5. Limit required unannounced reviews by accrediting agencies to those agencies at which at least 10 percent of the institutions they accredit have cohort default rates for the most recent year of 20 percent or higher. Allow the option for all accrediting agencies to conduct unannounced site visits when they are deemed necessary by the agency.

6. Provide the Secretary the authority to develop a performance-based approach to statutory and regulatory requirements whereby the Secretary would exempt institutions from selected administrative requirements provided they meet stringent performance criteria.

7. Terminate from Title IV eligibility all foreign institutions with cohort default rates greater than one-half the national average for each year. Impose no compliance requirements on deferment-only institutions. Limit submission of financial statement audits and compliance audits to foreign schools with high loan volumes (less than $500,000). Extend the time between recertification to seven years for low loan volume foreign schools.

8. Extend the 70/70 completion and placement requirement (i.e., 70 percent of students must complete and 70 percent of them must obtain employment in the field they are trained) to *all* vocational programs up to one-year in length. Modify the requirement by allowing institutions to meet the requirement if 70 percent of their students are placed in jobs for which they are trained regardless of whether they complete.

9. Impose the existing 85/15 requirement on institutions that switch from for-profit to non-profit during a two-year transition period.

10. Institutions that unsuccessfully appeal high cohort default rates and that choose to receive loans during the appeal process will be held liable by posting surety in an amount sufficient to cover these costs.

11. Clarify that, in submitting cohort default rate appeals based on allegations of improper loan servicing, a school may request only copies of the records received by the guaranty agency in deciding whether to pay a claim and maintained by the agency.

12. Clarify that loans which the Department determines were improperly serviced are eliminated from both the numerator and denominator in the calculation of the cohort default rate.

13. Terminate an institution's participation form the Perkins Loan program if its Perkins default rate exceeds 25 percent for the three most recent years. Add a provision allowing schools to appeal loss of Perkins eligibility based on mitigating circumstances as determined by regulation. Eliminate the provision that allows for the exclusion of improperly serviced loans from the calculation of Perkins cohort default rates. Eliminate the submission of a default reduction plan.

14. Repeal the refund requirements and substitute a simplified proposal that incorporates a disbursement schedule that determines the amount of Title IV aid a student has earned when the student ceases attendance. Some minimum requirements for refunds will be established.

15. Provide the Department the authority to issue administrative subpoenas in pursuing termination actions against institutions.

16. Make technical changes to the definition of eligible institution (in Sections 481 and 1201) that would eliminate duplicative and confusing language. In addition, the changes would clarify that graduate and professional programs are eligible to participate in programs authorized under the HEA, and specify that community colleges offering short-term programs are not subject to a two year waiting period for eligibility.

17. Repeal Section 498(f) that requires the Department to conduct site visits at institutions for each certification or recertification and allows the Department to charge institutions for the costs associated with these site visits.

18. Broaden the statutory authority for the Quality Assurance program into additional areas beyond verification.

19. Extend the exemption from cohort default rate penalties to Historically Black Colleges and Universities and tribally controlled community colleges so long as those institutions are showing continuous improvement in their default rates.

Delivery Systems Reauthorization Proposals

The reauthorization proposals relating to delivery systems further the overall goal of improving management of the programs. The recommendations are as follows:

1. Delete reference to "multiple data entry forms."

2. Allow the FAFSA to collect additional data elements for the purpose of awarding student financial assistance. Delete the limitation of eight nonfinancial items used by the States.

3. Delete the requirement that the Secretary develop a separate loan application for the FFEL program. Allow the FAFSA to be used as the loan application in the FFEL as well as the Direct Loan program.

4. Update the section on contracts for collection and processing to reflect current status of MDE contractors and their relationship to FAFSA processing.

5. Delete the requirement that ED ensure that one of the contractors serve graduate and professional students.

6. Add statutory language that provides authority for the Secretary to modify any requirement in consultation with affected parties concerning applying for aid and delivery of funds to take into account new technology and new business processes if those modifications would better meet the needs of students and other systems-users.

7. Provide authority for the Secretary to provide system services for non-Title IV student aid/scholarship purposes and authority to charge and retain fees for such services (except to students and parents).

8. Pay schools and third party servicers for processing electronic applications and corrections according to ED's quality and editing requirements.

9. Delete the requirement that any person who assists another in completing a FAFSA provide his/her name, signature, address, etc.

10. Delete expired section involving antitrust.

Summary of Need Analysis Reauthorization Proposals

The reauthorization proposals for the Federal need analysis formulas further the overall goals of improving access to postsecondary education, and improving management of the programs.

Access:

¥ Consider whether to eliminate or modify the use of cash/savings assets.

¥ Consider whether to modify the contribution from dependent student earnings.

Improving Management:

¥ Consider whether to allow prior prior year data as a substitute for base year data.

¥ Consider whether to allow less than annual need determination for AFDC applicants only.

¥ Consider whether to allow schools professional judgment authority to change a student's dependency status from independent to dependent.

¥ Improve program management income by data matching with IRS through Title IV aid requirement of applicant authorization for sharing of applicant data with IRS.

¥ Consider whether to allow schools under extraordinary circumstances only, the professional judgment authority to change the final EFC amount.

¥ Consider whether changes to the master calendar to increase institutional flexibility by limiting applicability to regulations relating to the calculation of awards and delivery of funds to students. Additionally, whether to allow the Secretary to designate regulations which schools or other entities could choose to implement before the effective date.

1. Assets: Options under consideration

(a) Eliminate cash savings in Federal need analysis.
(b) Replace current asset protection allowances with an expected cash savings contribution.

2. Dependent student earnings: Options under consideration

(a) Increase student income protection allowance from $1,750 to $3,500.
(b) Combine student available income with parents available income.

3. Prior prior year data:

(a) Allow prior prior year data as a substitution for base year data in need methodology formulas.

4. Federal need analysis determination:

(a) Allow less than annual need determination for AFDC applicants only.

5. Professional judgment authority for dependency status determination:

(a) Allow schools the authority to change a student's dependency status from independent to dependent.

6. FAFSA applicant's authorization to release their data to IRS:

(a) Title IV federal aid requirement to share application data with the IRS for purposes of an income match.

7. Other than 9 month need analysis calculation:

(a) Extend eligibility for an other than 9 month EFC calculation to independent students.

8. Cost of attendance for correspondence students:

(a) Delete reference to correspondence students in the cost of attendance for all students, other than incarcerated students, who are enrolled at least half-time.

9. Professional judgment authority to change the final EFC amount:

(a) Allow schools the professional judgment authority to change the final EFC amount, in addition to adjusting the data elements only under extraordinary circumstances as defined by the Secretary.

10. Study abroad provision:

(a) Eliminate the study abroad provision in the statute.

11. Certification for GSL eligibility:

(a) Delete this reference in the statute.

12. Loss of eligibility for violations of loan limits:

(a) Delete the term fraudulently in reference to this statute.

13. Modify eligibility for automatic zero EFC calculation:

(a) Improve and simplify the current definition of eligibility for an automatic zero EFC calculation. Eliminate the confusion caused by the current requirement "eligible to file an IRS income tax form 1040a or 1040ez".

14. Master calendar changes:

(a) Limit applicability to regulations relating to the calculation of awards and delivery of funds to students. In particular, apply the publication deadline to regulations governing student consumer disclosures, student eligibility, need analysis, cost of attendance determination of award amounts, and delivery of funds to students. Change the delay of effective date of late publications from December 1 to November 1.

(b) Allow the Secretary to designate regulations which schools or other entities could choose to implement before the otherwise applicable effective date.

NOTE TO MAUREEN MCLAUGHLIN

THROUGH: Kathy Stack

FROM: Leslie Mustain, Aromie Noe, Tim Rosado

SUBJECT: Hispanic Initiative

You recall that you asked us to provide our suggestions in support of an Hispanic Initiative. We offer four areas of consideration that are within the context of the Department's Higher Education reauthorization bill.

Modify the TRIO program

- We strongly support the reauthorization Linkages Team's option to eliminate prior experience authority.
- We support, as well, the Team's sub-options to assist the Secretary in giving funding priority to geographic areas under-served by TRIO programs.
- In lieu of, or addition to, acceptance of the above options, we suggest ED consider giving the Secretary authority to designate incremental increases in budget authority each year to grantees serving "emerging communities." The emerging communities definition could, for the purposes of the program, be those with growing or sustained, limited English proficient (LEP) populations.
- We also suggest integrating into statute an incentive structure to encourage grantees to serve "hardest-to-serve" student populations. The definition of hardest-to-serve could be structured in a manner which pulls into TRIO programs more low-performing Hispanic students likely to drop out of school. Regardless of the benefit to any Hispanic Initiative, we see an incentive structure as a useful way to persuade grantees to better serve a greater portion of more 'difficult' students, generally.

  An incentive structure could use either the push or pull approach; withholding a portion of the grant until evidence of performance is shown or providing financial rewards on top of the basic grant.

Target Work-Study funds to Hispanic mentoring programs

- Since a significant portion of new Work Study funds is to be targeted toward community service, we suggest targeting a portion of those funds toward Hispanic mentoring programs. There are some excellent examples of programs that <u>pair</u> Hispanic high/middle school students with Hispanic college students, providing the younger students with <u>role models/mentors</u> as well as college readiness activities (visits to campuses, tutoring, etc.)

- Reallocated Work Study funding priorities can to targeted to schools serving large populations of limited English proficient students or Hispanics. There are, for example, 197 Hispanic-serving institutions that could be used as pilots for the mentoring programs.
- Examples of successful Hispanic mentoring/college readiness programs to be used as models could be included in report language to the reauthorization bill.

Special Focus Competition in FIPSE

- We suggest that FIPSE establish a special focus competition for innovative student support services projects.
- The projects could focus on transition (high school to college) and retention issues of minority students. 'Acute' problem areas could also be targeted within this focus, such as retention of Hispanic students in support services programs.

Restructure the Urban Community Service Program

- If the Department desires to reauthorize an Urban Community Service-type program, we recommend that it be restructured significantly in a way that will harness the resources of IHEs to address just the education needs of school districts in high poverty areas, urban *or* rural.
- The new program could be structured in a manner which targets acute education needs, such as minority student dropouts and instruction for limited English proficient students.
- Performance of the grantees, and program overall, would be measured in terms of the improvements made to the school districts in the problem areas targeted by the grantees.

At your convenience, we are available to discuss any of these suggestions further.

cc: Bob Shireman

DAS - econ policy

- John Gruber -

- Camp Summers - savings policy.

622-0563

~~employer over run~~

NEC process

and 3:00

6/5/97

HEA Reauth

- Mid-week
- Hearing a lot on testimony...
- L.G. Guarantee
- "Linkages" +6

Dave to a Hsp & Higher Ed...

OMB on loan issues

Problems:
- Loan limits higher - what's pay...

- Forged prom notes - L.G. problem - can OMB help? will get info...
- what do banks do?

- DoL as COLR

- Federal borrower defenses - OGC says they have authority(?)
i.e. why take on as ??

- Especially high cost - now doing these what's only - why go beyond?

- Eliminating orig fees - budget neutrality...

Student Loans

- **Summary of new loan proposals**
- **List of new loan proposals**
- **Summary of student loan provisions in the Administration's budget**

Summary of New Loan Reauthorization Proposals

The following is a summary of new proposals for reauthorization of the loan programs. Proposals from the President's FY98 budget will be added to these proposals to form the complete reauthorization package. The new proposals are designed to increase benefits to students, reduce burden and increase flexibility for institutions, improve the FFEL program, improve program management, and streamline the statute.

<u>Access</u>:

Increase benefits to students:

- Eliminate origination fees for all borrowers in both programs. - admin proposals, too.
- Allow institutions to provide higher loan limits for graduate and professional programs <u>if</u> they are willing to share in the default risk. - HEAL issue
- Improve borrower benefits in the Perkins program including establishing a rehabilitation program and extending forbearance provisions.
- Reduce frequency of capitalization for FFEL borrowers. - (reduces [illegible] [illegible] $640 million ?) [illegible] cost (lower [illegible] default [illegible])

<u>Improve management</u>:

Increase institutional flexibility and reduc~~e~~ed of burden:

- Allow institutions to limit borrowing for certain categories of students such as freshman or students in particular programs. - expansion, clarification - discrimination? OCR, BS concerns
- Establish a line of credit/multi-year promissory note. - OGC issues - Presumption by x date.
- Obtain authority to use imaged promissory notes. - where are consumer groups? I.G. - fraud?

Improve the FFEL program:

- Make changes in statute designed to ensure loan access.
- Eliminate statutory restrictions on the Secretary's ability to impose fines.
- Prohibit schools and insurance companies from acting as lenders. - 'not needed' - Why

Improve program management:

- Require data base matching for PLUS loans. - INS + SS #
- Define "default" in the Perkins loan program as 180 days past due.
- Create federal borrower defenses to collection of student loans. - Now have authority for Direct, not for FFEL. → consistency. OGC supports. [illegible] [illegible]...
- Improve debt collection by increasing Departmental access to data sources, requiring direct matching of state employee records and salary offset, and extending the period for reporting negative credit information. - [illegible] - [illegible] - [illegible] [illegible] [illegible]? [illegible] [illegible]?

Streamline the statute:

- Eliminate programs that are unnecessary or have never been funded.

List of New Loan Reauthorization Proposals

I. Terms of Loans/Equalization of Benefits:

1. Origination fees: Eliminate all origination fees in both programs.

2. Frequency of interest capitalization: Require FFEL lenders to capitalize interest only when borrowers enter repayment and at status changes.

3. PLUS loans: Require data base matching for PLUS loans; don't hold students jointly liable or establish a $15,000 loan limit.

4. Loan limits for HEAL and other borrowers in high cost programs: Allow institutions to provide higher loan limits for graduate and professional programs if they are willing to share in the default risk for the portion above other loan limits.

5. Flexibility of institutions to limit borrowing: Allow institutions to limit borrowing for certain categories of students such as freshman or students in particular programs.

6. Line of credit/multi-year prom note: Establish a line of credit/multi-year prom note.

7. Discharges: Eliminate the bankruptcy discharge.

8. Borrower defenses: Create federal borrower defenses to collection of student loans.

9. Imaged promissory notes: Obtain authority to use imaged promissory notes.

10. Rehabilitation of Perkins loans: Request authorization for a Perkins rehabilitation program.

11. Definition of "default" in Perkins program: Define "default" in the Perkins program as 180-days past due.

12. Forbearance in Perkins program: Provide forbearance provisions in the Perkins program that are consistent with the FFEL and Direct Loan programs.

13. Origination fees: Eliminate all origination fees for all borrowers.

II. FFEL Management and Operations:

14. Loan access: Amend nondiscrimination provisions to specify that secondary markets must offer to purchase any non-delinquent, eligible loan offered to them at no less than par plus accrued interest.. Clarify that lender of last resort provisions apply to unsubsidized as well as subsidized loans. Allow the Secretary to make advances directly to lenders for lender of last resort loans, rather than having to use guaranty agencies as intermediaries. Allow the Secretary to make Direct Loans as lenders of last resort, irrespective of the school's nonparticipation in the program or any volume cap.

15. Delegation of functions: Require all eligible participants to actively monitor the activities of their delegees and prohibit indemnification of eligible participants by their delegees.

16. Fines: Eliminate statutory restrictions on the Secretary's ability to impose fines.

17. Substance versus form: Add explicit statutory authority for the Secretary to evaluate transactions of lenders and guaranty agencies on the basis of their substance over their form.

18. Schools as lenders: Prohibit schools from acting as lenders unless the Secretary determines that it is necessary to provide access.

19. Insurance companies as lenders: Prohibit insurance companies from acting as lenders.

20. Collection of lender fees: Make lender fees directly collectible.

21. District of Columbia Loan Program: Delete authority for a guaranty agency for the District of Columbia.

22. Doing-business plans: Delete requirement that secondary markets prepare Doing-business plans.

23. Exceptional performers: Delete provisions that allow 100 percent insurance for lenders and servicers whose compliance-performance rate exceeds 97 percent.

24. Lender referral services: Delete authority to allow payments to guaranty agencies for referring students to lenders.

25. Loan forgiveness: Delete authorization for loan forgiveness for teachers and other professions.

26. Special allowance: Cut special allowance payments in half for new loans financed by tax-exempt funds, but do not create a floor on reduced payment.

27. Interest charged before institution credits borrower's account: Provide that lenders may not charge interest on either subsidized or unsubsidized loans before the institutions have credited borrower accounts for the loan proceeds. Make this provision applicable to first and subsequent disbursements.

III. Debt Collection

28. Access to data sources: Increase access to data sources.

29. Direct matching of state employee records and salary offset: Secure authority to match with state records and to offset state salaries.

30. Period for reporting negative credit information: Seek authority to report negative credit

information indefinitely.

Summary of Student Loan Provisions in the Administration's Budget

- Reduces borrower origination fees.
  - Cuts fees on subsidized loans in half from 4% to 2%.
  - Reduces fees on unsubsidized loans from 4% to 3%.
- Provides new repayment plans to FFEL borrowers.
  - FFEL lenders will be required to offer the extended and graduated repayment plans currently available in the Direct Loan program.
  - Lenders will continue to offer their current income-sensitive repayment plans.
- Requires FFEL lenders to offer the same benefits (*e.g.*, origination fees and interest rates) to all of their borrowers.
- Improves terms of FFEL consolidation loans to match those in Direct Loans.
  - FFEL consolidation loans will have variable interest rate, will allow in-school consolidation and consolidation of consolidation loans, and will provide for interest subsidy retention when borrowers consolidate subsidized loans with unsubsidized loans.
- Transforms guaranty agencies to clarify that the federal government is the sole guarantor of FFEL loans. Guaranty agencies will act as third-party servicers of federal guarantees under performance-based agreements. The Department will pay 100 percent of lender default claims and will recall federal funds held in reserve by guaranty agencies over five years.
- Raises lender risk sharing from 2 to 5 percent.
- Reduces the percentage of default collections that guaranty agencies may retain from 27 to 18.5 percent.
- Requires Sallie Mae fee on securitized loans.
- Replaces supplemental/pre-claims assistance payments with performance-based lender payments to guaranty agencies tied to agency success in bringing delinquent loans current.
- Sets in-school interest rate at the ED borrowing rate.
- Reduces Section 458 administrative costs.
- Computes special allowance rates at the same time and in the same manner as student interest rates.

DRAFT - 6/11/97

Mr. Chairman and Members of the Committee,

I am pleased to appear before you to discuss the Administration's proposal for the reauthorization of the Higher Education Act of 1965 (HEA). This reauthorization builds upon the President's proposed HOPE Scholarship, $10,000 tax deduction, and increases in Pell Grants. It will set the direction for higher education as we enter the next century.

More than ever before, education is the fault line between those who will prosper in the new economy and those who will be left behind. Today's good jobs require more skills and training than a high school diploma affords, and effective and accessible postsecondary education is critically important to individuals as well as our Nation's economy and democracy. A recent study by the National Center for Education Statistics (NCES) reveals that workers who have a record of high academic achievement earn more and are more productive in the workforce than those demonstrating lower academic achievement. Other research shows that a person with a bachelor's degree earns $600,000 more over the course of a lifetime than a person who did not continue past high school. Recognizing the numerous advantages of advanced education, the President has made universal access to effective postsecondary education and life-long learning key priorities of this Administration.

For over 30 years, the HEA has worked well in ensuring access to effective postsecondary education. Today, more than 20 million students are attending postsecondary education. In 1997, 7.6 million students received nearly $43 billion through HEA student financial aid programs. But we have an unfinished agenda. Low- and middle-income students still enroll in postsecondary education at lower rates than do their high-income peers, and we recognize that the HEA needs to address the needs of the growing and diverse population of college-bound students.

To address these and other issues, we have focused on four principles in developing our reauthorization proposals: (1) ensuring access; (2) supporting high standards and high achievement; (3) improving outreach to potential students and linkages to employment and elementary and secondary education; and (4) simplifying program delivery and improving management. I am encouraged that these principles are congruent with concerns and objectives expressed in the Congress and the higher education community.

Access: Opportunity with Responsibility

Ensuring access to postsecondary education for all Americans -- which President Clinton has characterized so well as "opportunity with responsibility" -- continues to be the most important goal of Federal postsecondary education policy. This is not uniquely a Federal responsibility, however. It is a responsibility shared with the student, the student's family, the States, and postsecondary institutions. As the principal beneficiaries of postsecondary education, students should be expected to expend academic and financial effort for their own education. The student's family also has an obligation to prepare their children for a fulfilling and productive future. Annual State support exceeding $45 billion for postsecondary education indicates the crucial role of States in financing and governing American postsecondary education. Institutions, too, have a duty to ensure access by providing high-quality programs, supporting students, restraining tuition increases, and managing Federal funds responsibly. Any consideration of the Federal role in postsecondary education must recognize the roles and responsibilities of these multiple players.

We are very concerned that college costs increasing faster than both inflation and median family income may be eroding access to postsecondary education. Especially troubling are recent reports indicating that parents of even very young children view college costs as one of their foremost worries. We can help allay these fears, and also encourage long-term planning for education after high school, by identifying and publicizing an amount of Federal aid that *all* postsecondary students in eligible programs could receive. The types of aid provided would vary according to students' financial situations -- the neediest students would qualify for more grants and subsidized loans, while others would be eligible for unsubsidized loans -- but all students and families concerned about their ability to finance postsecondary education would benefit from knowing about the availability of federal aid and the amount of such aid that they could expect. Identifying a fixed total federal aid amount for all students would also discourage institutions from increasing tuitions disproportionately to increases in the amount of federal aid available. The National Commission on Responsibilities for Financing Postsecondary Education proposed a similar policy in 1993.

We are also concerned by a perception that our current needs analysis formula -- which determines how much financial aid a student can receive -- discourages working and saving. To change this perception and to encourage saving and investment for college, we are considering the elimination of cash savings from the expected family contribution. This provision would prevent those who have saved diligently for postsecondary education expenses from being penalized in their eligibility for student aid. We will also propose that dependent students be allowed to keep more of the money they earn, rather than having it aggressively assessed in the needs analysis formula. This is consistent with our FY 1998 budget proposal to increase independent students' income protection allowance.

Pell Grants, the foundation of Federal student aid, have provided the opportunity for millions of low-income students to go to college who otherwise would not have had this opportunity. With bipartisan support in Congress, Pell Grant funding has increased considerably. Yet as the postsecondary student population has grown, Pell Grant funding has been spread over an increasing number of students and the maximum award has not kept pace with college costs. The maximum Pell Grant of $2,700 would need to be $4,700 just to match its inflation-adjusted level in 1978. We would like the reauthorized HEA to provide a strong Pell Grant program, and so we hope to propose future annual increases of 10 percent in the maximum Pell Grant award, as long as these increases can be paid for within our balanced budget proposal.

As the value of the Pell Grant has diminished in real terms, many students and families have increasingly relied on students loans to finance postsecondary education. Given the financial obligations already incumbent on borrowers, we will not consider any proposal that would increase the cost of borrowing for students or parents. On the contrary, we will continue to propose substantial reductions in the loan origination fees that students borrowers must pay and hope to eliminate these fees entirely if it is possible within the framework of a balanced federal budget.

As we examine the graduate programs, we are considering the consolidation of Title IX's Javits, Harris, and Graduate Assistance in Areas of National Need programs into one flexible, comprehensive fellowship program focused on national need. We are drafting a proposal to define national need in terms of both discipline and population representation, in consultation with the higher education community. The new program would provide flexibility while retaining important elements of the three programs that would be consolidated.

We also want to respond to changes in the college population and technological innovations. Nearly half of all college students are now working adults over 25 years of age who cannot easily take time from their jobs or other commitments to participate in the traditional higher education settings. Institutions of postsecondary education are increasingly responding to their demands by offering distance learning courses, whether over the Internet or via teleconferencing. To provide equivalent student aid opportunities for all learners while maintaining effective oversight and accountability, we propose to modify several provisions of the HEA. Specifically, we seek repeal of provisions that limit institutional eligibility for Title IV aid based on percentages of students and programs in distance learning; we propose that students in distance learning programs become eligible for as much aid as other students; and we will require accrediting agencies to develop and enforce educational outcome standards specific to distance learning, consistent with the Government Performance and Results Act (GPRA).

Support Effective Education: High Standards, High Achievement

In addition to ensuring access, Federal programs should continue to promote and enhance outstanding educational opportunities and encourage students to take advantage of those opportunities. Several of our reauthorization ideas address this objective of promoting high standards and high achievement.

We are considering rewarding needy students who excel academically with an additional supplement to their Pell Grant. We will also propose limiting the length of time students can qualify for Pell Grants to 150 percent of the usual program length, thereby encouraging timely degree completion and safeguarding taxpayer dollars. Taken together, these proposals reinforce our commitment to ensure access for all students and reward those who achieve at the highest level, while also promoting student accountability.

We can also encourage and promote high standards and achievement on the part of educational providers by continuing to support the Fund for the Improvement of Postsecondary Education (FIPSE). The postsecondary education community overwhelmingly endorses this program, which supports reform and enhancement projects in areas ranging from student preparation to faculty development and improvement of campus environments. We will stress dissemination as an important feature of the reauthorized FIPSE, thereby encouraging replication of the exciting and effective projects it funds.

We also want to continue to support improvements in academic quality and institutional management at institutions serving disadvantaged and minority students. Our plan to create separate parts of Title III for Hispanic-Serving Institutions (HSIs) and Tribally-controlled colleges will elevate their visibility. We will also stress that all Title III schools strengthen the use of technology in both academic and administrative operations.

Finally, we will propose changes in teacher preparation programs to ensure the presence of a talented, dedicated, and well-prepared teacher in every American classroom. Without effective teaching, the highest standards in the world will not ensure that our children are well educated. We face major challenges in this undertaking, as we will need an additional two million teachers to keep up with student population growth over the next decade, particularly in shortage areas. Specifically, we are considering a new teacher preparation program, in which colleges and universities that have demonstrated excellence in preparing teachers would partner with other postsecondary institutions that are committed to improving their own teacher preparation programs.

Improve Outreach to Potential Students and Linkages to Employment and Elementary and Secondary Education

By forging strong links among elementary and secondary education, postsecondary education, and employment, we cab establish crucial connections at both ends of the educational spectrum that complement and increase the effectiveness of our investment in student financial aid. Specifically, we aim to provide effective mentoring, academic preparation, and counseling to motivate young people and their families to develop and deepen their aspirations of and commitment to pursuing postsecondary education.

Low-income students have made significant gains in higher education over the past 25 years, as reflected in growing enrollment rates. Whereas only 42 percent of low-income high school graduates enrolled in postsecondary education within two years of completing secondary school in 1972, by 1992 that number approached 50 percent. Fully 78 percent of high-achieving students from this group enrolled in postsecondary education, though their enrollment still lagged 18 percentage points behind their comparably achieving high-income peers.

With such statistics in mind, we are determined to strengthen the TRIO programs, which support and encourage precollegiate students, preparing them for enrollment and success in college. Recent evaluations of the Upward Bound and Student Support Services programs have demonstrated that these program help low-income, first-generation college students enter and persist in college. A recent evaluation conducted by Mathematica Policy Research has shown that Upward Bound students have higher educational expectations, are better prepared academically, and have parents who are more involved in their children's school-related activities than other students. Similarly, a recent evaluation conducted by Westat, Inc. has shown that participants in Student Support Services earn higher grade point averages, enroll in more classes, and persist at a greater rate than did other similar students.

While access continues to be our primary goal of these programs, students and society benefit most when students persist and graduate. We particularly would like to see increased degree completion among low-income students, who currently complete bachelor's degrees at only half the rate of their high-income peers. Thus, we are identifying ways to reward institutions that serve large numbers of Pell recipients who persist in college and complete a degree. The availability of such rewards would encourage institutions to retain low-income students through degree completion. We also want to strengthen the Federal commitment to early intervention by stepping up efforts to communicate to students at an early age that college is a realistic possibility, to instill the motivation and work habits conducive to academic success, to advise them of collegiate academic requirements, and to involve parents. We are considering redefining the Talent Search program as a mentoring and academic support program to help disadvantaged middle school students prepare for postsecondary education.

Improve Management and Simplify Program Delivery

The reauthorized HEA should continue to improve management and simplify program delivery, our fourth guiding principle. We aim to reduce burden on institutions and provide them the flexibility to manage the programs to serve students best. We will also ensure that students and postsecondary institutions continue to receive efficient, seamless and predictable customer service that enables them to plan ahead.

We will continue to strengthen Title IV program management by improving the Department's oversight of participating postsecondary institutions. In recent years, we have significantly improved Federal Family Education Loan (FFEL) program management. The national FFEL cohort default rate declined from 22.4 percent to 10.7 percent from 1990 to 1994. Federal payments for defaulted FFELs have declined approximately 40 percent between 1991 and 1996, despite a 60 percent increase in the volume of loans in repayment during the same period. And collections on defaulted FFELs have more than doubled since 1992. We also have strengthened the gatekeeping procedures that keep unscrupulous schools from participating in student aid programs. Over the past four years, the Department's actions have led to the removal of 875 schools, including 672 schools from all student aid programs and an additional 203 from federal loan programs. These actions are the result of legislation enacted by Congress in 1990 and 1992 that gave the Department more tools to manage federal student aid.

We need to continue to strive toward a proper balance, however, between protecting students and Federal funds and reducing burdens on schools. To strike this balance, we are proposing a performance-based, tailored approach to statute and regulation -- developed in collaboration with the postsecondary community -- in lieu of the current "one size fits all" approach. A gatekeeping and oversight system based on institutions' track records will recognize the diversity of American higher education, reduce burden where appropriate, provide incentives for institutions to be fiscally and administratively responsible, and target Federal oversight resources on high-risk institutions.

We will also work to make both the FFEL and Direct Loan programs as strong as possible. The creation and implementation of the Direct Loan program has revolutionized federal student loan delivery by providing a simple, more automated, and accountable system to borrowers and participating institutions. The Direct Loan program also offers borrowers a choice of repayment options that have improved borrowers' ability to manage their student loan debt. The Administration supports retaining the unique qualities of each program but proposes to equalize benefits to students across programs. In our fiscal year 1998 budget submission, we proposed to expand the repayment options available to FFEL borrowers, improve the terms of FFEL consolidation loans, and require lenders to provide the same benefits to all of their borrowers.

We can reduce inefficiencies inherent in the FFEL program by providing economic incentives for guaranty agencies that would reduce the need for regulation, lower costs to the taxpayers, and improve performance. The current guaranty structure is based on the fiction that guaranty agencies actually guarantee student loans, when in fact they merely administer guarantees paid by the Federal government. Our proposal clarifies the Federal role and transforms the guaranty agencies into third-party servicers of federal guarantees under performance-based agreements. The Department will pay 100 percent of lender default claims and will recall federal funds held in reserve by guaranty agencies.

We recognize the importance of simplifying program delivery and have taken steps in this direction. In consultation with students, schools, lenders, guaranty agencies, and secondary markets, the Department is developing Project Easy Access for Students and Institutions (EASI), an electronic, student-centered delivery system through which students will be able to apply for aid, determine their eligibility, and have all their aid delivered to the school of their choice almost instantaneously. As envisioned, EASI would also enable borrowers to check on their loan balances 24 hours a day after leaving school, assist institutions in track enrollment and repayments as well as fulfill reporting requirements, and help the Department with program management, reporting, and oversight in a real-time environment.

Other elements of the Department's delivery system modernization we are undertaking are consistent with EASI's vision. Later this month, students and families will be able to complete the financial aid application via the Internet. We are considering the use of multi-year promissory notes and imaging for both the Direct Loan and Federal Family Education Loan programs, which would greatly reduce administrative burden for the schools, lenders and the Department.

Some in the postsecondary education community have advocated new organizational forms to modernize student aid. Recently proposed models include a mutual benefit corporation (MBC) -- which as I understand it is a non-governmental corporation operating under a charter and bylaws approved by an appropriate federal agency that is set up to help run an industry -- and a federal performance-based organization (PBO) within a federal agency under the policy supervision of the Secretary and the President. At this stage, it would be premature to take a position on the desirability of an MBC, PBO, or other specific alternative organization for delivering student aid. First we must forge a broad consensus on what we want from improved delivery system, which is the approach we are taking with Project EASI. Only when that is established can we effectively and responsibly determine the best type of organization to create and run that system. I will, however, suggest that I am skeptical of these so-called privatization plans. We can use the private sector to run aspects of the day-to-day operations, as we do now with Department contracts and FFEL subsidies. And we can design a system that facilitates linkages with non-federal partners, which we are doing through EASI. Because these are federal programs, disbursing federal tax-payer dollar, federal responsibilities and accountability are essential.

Conclusion

It has been my pleasure to share with you our higher education strategy and our approach to the reauthorization of the Higher Education Act. In proposing tax incentives to help families pay for college, major increases in funding for important postsecondary education programs in our FY 1998 budget, and a Higher Education Act that is even stronger than it is today, we are dedicated to strengthening the Federal commitment to postsecondary education. We look forward to working with you to craft a strong Higher Education Act whose programs will allow us to meet the challenges of the next century. I am happy to respond to any questions you may have.