H.R. 4283, COLLEGE ACCESS AND OPPORTUNITY ACT

HEARING

BEFORE THE

COMMITTEE ON EDUCATION AND THE WORKFORCE U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

May 12, 2004

Serial No. 108-58

Printed for the use of the Committee on Education and the Workforce

Available via the World Wide Web: http://www.access.gpo.gov/congress/house
or
Committee address: http://edworkforce.house.gov

U.S. GOVERNMENT PRINTING OFFICE

93-631 PDF WASHINGTON : 2004

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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C O N T E N T S

	Page
Hearing held on May 12, 2004	1
Statement of Members:	
Boehner, Hon. John A., Chairman, Committee on Education and the Workforce	2
Prepared statement of	5
Grijalva, Hon. Raul M., a Representative in Congress from the State of Arizona, Prepared statement of	76
Hinojosa, Hon. Ruben, a Representative in Congress from the State of Texas, Prepared statement of	69
Hoekstra, Hon. Pete, a Representative in Congress from the State of Michigan, Prepared statement of	74
Question submitted for the record	77
McCollum, Hon. Betty, a Representative in Congress from the State of Minnesota, "Editorial: Gentrification/Too Much on U.S. Campuses", submitted for the record	72
Miller, Hon. George, Ranking Member, Committee on Education and the Workforce	5
Norwood, Hon. Charlie, a Representative in Congress from the State of Georgia, Prepared statement of	76
Porter, Hon. Jon, a Representative in Congress from the State of Nevada, Prepared statement of	77
Statement of Witnesses:	
Boyle, Jim, President, College Parents of America, Washington, DC	8
Prepared statement of	12
Response submitted for the record	77
Grayer, Michael, Recent Graduate, Virginia College, Jackson, Mississippi	28
Prepared statement of	31
Letter submitted for the record	83
Martin, Dr. Dallas, President, National Association of Student Financial Aid Administrators, Washington, DC	13
Prepared statement of	16
Additional statement submitted for the record	79
Response submitted for the record	78
Reed, Dr. Charles, Chancellor, California State University System, Long Beach, California	22
Prepared statement of	25
Wasserman, Rebecca, President, United States Student Association, Washington, DC	17
Prepared statement of	21
Response submitted for the record	78
Additional materials supplied:	
American Medical Association, Statement submitted for the record	56
Corrigan, Dr. Robert A., President, San Francisco State University, Statement submitted for the record	38
National Consumer Law Center, Center for Law and Social Policy, and The Workforce Alliance, Statement submitted for the record	41

H.R. 4283, COLLEGE ACCESS AND OPPORTUNITY ACT

Wednesday, May 12, 2004
U.S. House of Representatives
Committee on Education and the Workforce
Washington, DC

The Committee met, pursuant to notice, at 10:35 a.m., in room 2175, Rayburn House Office Building, Hon. John Boehner (Chairman of the Committee) presiding.

Present: Representatives Boehner, Petri, McKeon, Castle, Ehlers, Isakson, Biggert, Osborne, Porter, Musgrave, Blackburn, Gingrey, Miller, Kildee, Owens, Andrews, Woolsey, Hinojosa, Tierney, Kind, Kucinich, Wu, Davis of California, McCollum, Grijalva, Majette, Van Hollen, and Bishop.

Staff present: Kevin Frank, Professional Staff Member; Sally Lovejoy, Director of Education and Human Resources Policy; Alexa Marrero, Press Secretary; Catharine Meyer, Legislative Assistant; Krisann Pearce, Deputy Director of Education and Human Resources Policy; Alison Ream, Professional Staff Member; Deborah L. Samantar, Committee Clerk/Intern Coordinator; Kathleen Smith, Professional Staff Member; Kevin Smith, Communications Counselor; Jo-Marie St. Martin, General Counsel; Ellynne Bannon, Minority Legislative Associate/Education; Tom Kiley, Minority Press Secretary; Ricardo Martinez, Minority Legislative Associate/Education; Alex Nock, Minority Legislative Associate/Education; Joe Novotny, Minority Legislative Assistant/Education; and Lynda Theil, Minority Legislative Associate/Education.

Chairman BOEHNER. A quorum being present, the Committee on Education and the Workforce will come to order. We are holding this hearing today to hear testimony on H.R. 4283, the College Access and Opportunity Act of 2004. For those guests who we don't have room for in the room, we have an overflow room upstairs in 2257. So for those who didn't make it into the main hearing room, it is being broadcast upstairs in the overflow.

Under Committee Rule 12(b), opening statements are limited to the Chairman and ranking minority member. If other members have opening statements, they will be included within the hearing record; and with that, I ask unanimous consent for the hearing record to remain open for 14 days to allow member statements and other extraneous material referenced during today's hearing to be submitted for the official hearing record. Without objection, so ordered.

STATEMENT OF HON. JOHN A. BOEHNER, CHAIRMAN, COMMITTEE ON EDUCATION AND THE WORKFORCE

Good morning, and thank you all for joining us today to discuss the College Access and Opportunity Act, a bill I am pleased to have offered last week with Chairman McKeon to expand college access for low- and middle-income students.

I firmly believe current and future students should be our No. 1 priority in distributing Federal higher education aid. That was the purpose of the Higher Education Act when it was originally enacted more than three decades ago. And the purpose of our bill is to restore that focus as the law is reauthorized.

Our plan will expand access to higher education for millions of low- and middle-income students. It will do so by strengthening Pell Grants, student aid, student access programs, and minority serving institutions. It will reduce loan costs, fees, and red tape for students and graduates. It will remove barriers for non-traditional students, including the so-called "90-10 Rule" that is hurting minority and low-income students. It will empower parents and students through "sunshine" and transparency for consumers in college financing and accreditation.

Millions of low- and middle-income students today face the possibility of being denied access to higher education. Americans overwhelmingly believe that these students and their families should be the first in line when Federal higher education aid is distributed. The Federal law today reflects a different set of priorities. An increasing share of aid is flowing not to incoming low- and middle-income students struggling to achieve a higher education but to former students who have already received an education and entered the workforce. Federal law also allows lenders and banks to keep excess subsidies they earn from student loans instead of returning to the government so it can be used to support access for these same low- and middle-income students.

If we truly believe college access for incoming low- and middle-income students should be the Federal Government's first priority in higher education aid, we will not allow these misplaced priorities to stand.

The independent General Accounting Office recently warned Congress that the cost of fixed interest rate consolidation loans is ballooning, threatening to devour billions in resources over the next 7 years that could be used to support college access for students who haven't received an education. To avert this problem, GAO has recommended to the Congress that we switch consolidation loans to a variable interest rate. Bipartisan experts have told this Committee that following GAO's recommendation would free up $21 billion over the next 7 years that could be used to expand college access for low- and middle-income students. If consolidation loans are left on autopilot, the cost to low- and middle-income students will be $21 billion in lost opportunities.

The GAO's warning has not fallen on deaf ears in this Committee. In fact, I am pleased to say it has drawn bipartisan concern. A majority of the members on both sides of the aisle have either introduced, sponsored, or cosponsored bills to move the consolidation program to a variable rate. The bill that I have introduced with Chairman McKeon would do the same.

Unfortunately, the GAO's warning also comes during an even-numbered year, and that brings political temptation to the table. One of the first to fall victim was former Education Secretary Richard Riley, who was dispatched back in March by opponents of President Bush to attack this Committee for even listening to the GAO's warning. His attacks were later echoed by another Democrat party member, presumptive Democrat nominee for President John Kerry.

Now interestingly, not long ago, these same folks were singing a different tune. In the early 1990's, when Secretary Riley and President Clinton designed the Direct Loan Program, they chose variable rates for direct consolidation loans, not fixed rates. In 1997, when President Clinton and Secretary Riley sent Congress their plan for reauthorizing the Higher Education Act, they proposed making all consolidation loans variable rate. And Secretary Riley's own Department of Education at the time said variable rate consolidation loans would be better for borrowers.

A 1997 document issued by Secretary Riley's Department noted, "The interest rate on FFEL consolidation loans would be changed to a variable rate comparable to the rate applicable to Direct Consolidation Loans under the Clinton plan." It went on to say, "By extending the favorable terms currently available only to borrowers of Direct Consolidation Loans to borrowers of FFEL Consolidation Loans, these amendments would reduce the cost for, and provide greater flexibility to, these FFEL borrowers."

Now with all due respect to Senator Kerry and Secretary Riley, it would appear that some of my colleagues across the aisle were for the idea of variable rate consolidation loans before they were against it.

Now some have also pointed to a recent study by the Congressional Research Service examining how borrowers would be impacted by variable rates on consolidation loans. Proponents claim that the CRS findings are evidence that variable rates will increase the cost for borrowers. What they don't mention is they are talking about a different set of borrowers. Our bill doesn't affect anyone who currently has a consolidation loan, and those are the people the CRS analysis examines in a hypothetical analysis.

No one can accurately predict what the future interest rates are going to be. What we can do is examine past history. And new information from CRS does just that.

In a report that was issued just last week, CRS found borrowers in 14 of the last 18 years would have fared better under a variable rate than under the fixed rate structure currently in place. Specifically, since 1986, the first year that we had a consolidation loan program, borrowers most often would have paid less in interest if their student loans had been under the variable rate structure that we are proposing.

We also know that students today are paying the lowest rates in history, about 2.82 percent. They are able to pay this low rate because rates are in fact variable. In 2006, under the current law, interest rates will be fixed for the FFEL Program and at 6.8 percent, a rate more than double the amount students are paying today. And opponents of our legislation support keeping this fixed rate in tact despite the fact that costs will double for these borrowers if in-

terest rates stay relatively low. The 6.8 percent rate is not a cap that some opponents claim, it is a fixed rate that would be imposed on all student loan borrowers for the life of the loans, locking borrowers out of lower rates in the future.

Providing fairness for low- and middle-income students will require more than simply reforming consolidation loans and allowing borrowers to take advantage of variable interest rates. The bill we have introduced also addresses concern about excessive lender earnings on the Federal student loan programs. The bill would eliminate excess subsidies certain lenders can now collect and require lenders to return billions in excess interest earnings to the Federal Government, freeing up resources that could be better spent expanding access for current and future students.

With tuition skyrocketing at colleges and universities across the nation, we owe it to students and their families to have an honest debate about the barriers to college access, and to come together with solutions. The bill Chairman McKeon and I have offered is an attempt to do just that. And I look forward to today's discussion, and I am hopeful that it will pave the way for bipartisan action in this Committee that will make a difference for those very students that we are trying to help get into the college and university of their choice.

With that, I would like to yield to my colleague and friend, Mr. Miller.

[The prepared statement of Chairman Boehner follows:]

Statement of Hon. John A. Boehner, Chairman, Committee on Education and the Workforce

Good morning. Thank you for joining us today to discuss the College Access & Opportunity Act, a bill I am pleased to have offered last week with Chairman McKeon to expand college access for low and middle-income students.

I firmly believe current and future students should be our number one priority in distributing federal higher education aid. That was the purpose of the Higher Education Act when it was originally enacted more than three decades ago. And the purpose of our bill is to restore that focus as the law is reauthorized.

Our plan will expand access to higher education for millions of low and middle-income students. It will do so by strengthening Pell Grants, student aid, student access programs, and minority serving institutions. It will reduce loan costs, fees, and red tape for students and graduates. It will remove barriers for non-traditional students, including the so-called "90-10" rule that is hurting minority and low-income students. It will empower parents and students through "sunshine" and transparency for consumers in college financing and accreditation.

Millions of low and middle-income students today face the possibility of being denied access to higher education. Americans overwhelmingly believe these students and their families should be first in line when federal higher education aid is distributed. But federal law today reflects a different set of priorities. An increasing share of aid is flowing not to incoming, low and middle-income students struggling to achieve a higher education, but to former students who have already received an education and entered the workforce. Federal law also allows lenders and banks to keep excess subsidies they earn from student loans, instead of returning it to the government so it can be used to support access for low and middle-income students.

If we truly believe college access for incoming, low and middle-income students should be the federal government's first priority in higher education aid, we will not allow these misplaced priorities to stand.

The independent General Accounting Office (GAO) recently warned this Congress that the cost of fixed interest rate consolidation loans is ballooning, threatening to devour billions in resources over the next several years that could instead be used to support college access for students who haven't received an education. To avert this problem, GAO has recommended that Congress switch to consolidation loans that use variable interest rates. Bipartisan experts have told this committee that following GAO's recommendation would free up approximately $21 billion over the next seven years that could be used to expand college access for low and middle-income students. If consolidation loans are left on autopilot, the cost to low and middle-income students will be $21 billion in lost opportunities.

The GAO's warning has not fallen on deaf ears in this committee; in fact, I'm pleased to say it has drawn bipartisan concern. A majority of my colleagues on the Democratic side – 14 out of 22 Democratic members of this Committee – have either introduced, or co-sponsored legislation in this Congress that would make all new consolidation loans variable rate. The bill I have introduced with Chairman McKeon would do the same.

Unfortunately, the GAO's warning also comes during an even-numbered year, and that brings political temptation. One of the first to fall victim was former Education Secretary Richard Riley, who was dispatched back in March by opponents of President Bush to attack this committee for even listening to GAO's warning. His attacks were later echoed by other Democratic Party leaders, including Senator John Kerry.

Not long ago, these same folks were singing a different tune. In the early 1990s, when Secretary Riley and President Clinton designed the Direct Loan program, they chose variable rates for direct consolidation loans – not fixed rates. In 1997, when President Clinton and Secretary Riley sent Congress their plan for reauthorizing the Higher Education Act, they proposed making all consolidation loans variable-rate. And Secretary Riley's own Department of Education said variable rate consolidation loans would be better for borrowers.

A 1997 document issued by Secretary Riley's own Education Department noted "*the interest rate on FFEL consolidation loans would be changed to a variable rate comparable to the rate applicable to Direct consolidation loans,*" under the Clinton plan. It went on to say: "*By extending the favorable terms currently available only to borrowers of Direct consolidation loans to borrowers of FFEL consolidation loans, these amendments would reduce costs for, and provide greater flexibility to, these FFEL borrowers. . .*"

With all due respect to Senator Kerry and Secretary Riley, it would appear Democrat leaders were for the idea of variable rate consolidation loans before they were against it.

Some have also pointed to a recent study by the Congressional Research Service examining how borrowers would be impacted by variable rates on consolidation loans. Opponents claim the CRS findings are evidence that variable rates will increase costs for borrowers. What they don't mention is that they're talking about a different set of borrowers. Our bill doesn't affect anyone who currently has consolidation loans – and those are the people the CRS analysis examines in a hypothetical analysis.

No one can accurately predict what future interest rates will be. What we can do is examine past history. And new information from CRS does just that.

In a new report just released, CRS found borrowers in 14 of the last 18 years would have fared better under a variable rate than under the fixed rate structure currently in place. Specifically, since 1986 – the first year of the consolidation loan program – borrowers most often would have paid less interest if their student loans had been under the variable rate structure we are proposing.

We also know that students today are paying the lowest interest rates in history – about 2.82%. They're able to pay this low rate because rates are variable. In 2006, under current law, interest rates will be fixed at 6.8% -- a rate more than double the amount students are paying now. Opponents of our legislation support keeping this fixed-rate intact despite the fact that costs will double for borrowers if interest rates stay relatively low. The 6.8% rate is not a "cap," as opponents claim; it's a fixed rate that would be imposed on all student loan borrowers for the life of the loans, locking borrowers out of lower rates in the future.

Providing fairness for low and middle-income students will require more than simply reforming consolidation loans and allowing borrowers to take advantage of variable interest rates. The bill we've introduced also addresses concerns about excessive lender earnings on the federal student loan programs. The bill would eliminate excess subsidies certain lenders can now collect, and require lenders to return billions in excess interest earnings to the federal government, freeing up resources that could be better spent expanding access for current and future students.

With tuition skyrocketing at colleges and universities across the nation, we owe it to students and their families to have an honest debate about barriers to college access, and to come together with solutions. The bill Chairman McKeon and I have offered is an attempt to do that. I look forward to today's discussion, and I'm hopeful it will pave the way for bipartisan action in this committee that will make a difference for low and middle-income students.

With that, I would yield to my friend Mr. Miller for any opening statement he may have.

STATEMENT OF HON. GEORGE MILLER, RANKING MEMBER, COMMITTEE ON EDUCATION AND THE WORKFORCE

Mr. MILLER. Thank you, Mr. Chairman, and thank you for holding this hearing today. Every 5 years, Congress has the opportunity to rewrite the higher education laws to better expand access to college education and to make college more affordable for low- and middle-income students. Unfortunately, the College Access and Opportunity Act doesn't even come close to living up to its name.

Just at a time when millions of low- and middle-income students and their families are struggling to cover college costs, this bill actually forces students to pay thousands of dollars more for their college loans, caps the maximum Pell Grant, and fails to provide meaningful relief from rising tuition prices.

While higher education has long served as the best opportunity for a better life for millions, students and their families across the country are now wondering whether they will be able to pay for a high-quality college education. As student tuition continues to soar, too many students are taking on huge loan debt and working long hours that hurt their academic studies and overall college experience or forgoing college altogether.

Broad access to an affordable college education is not simply a matter of individual enrichment and advancement, but an integral component of this nation's overall economic health. Closing the gap in college preparation rates between low- and high-income young adults would create $250 billion in new economic growth and $85 billion in additional tax revenue to our nation.

Despite the need to expand access to an affordable education, college is fast becoming a pipe dream for too many students. States are cutting support for higher education and pushing higher tuition and fees on to students and their families.

In addition to budget cuts and rising prices, millions of students are taking on high debt levels that discourage college attendance and encourage default—which costs taxpayers billions of dollars.

Over the past 10 years, student loan debt has nearly doubled to $17,000 and about one-fifth of full-time working students spend 35 or more hours per week on the job just to cover college costs. At the same time, student aid is falling further and further behind the cost of a college education. In fact, last year the maximum Pell Grant was worth $500 less in real terms than the maximum grant in 1976 and 1976.

It is imperative that we return to the original premise of the Higher Education Act of 1965, that no college- qualified student should be denied a college education because he or she lacks the financial resources.

Unfortunately, while the bill before us today includes some good provisions, such as reducing the student origination fees, reducing some of the excessive subsidies to banks, overall it makes college more expensive and reduces college opportunities. The Access and Opportunity Act pushes higher prices onto students just at the time when students need the help the most, as tuition continues to rise and debt soars.

Despite the fact that an estimated 40 percent of all borrowers graduate with unmanageable debt levels, the Republican bill denies students the ability to choose to lock in low interest rates for their student loan consolidation. Consolidating at a low-fixed rate has made student loans that have helped millions of low- and middle-income students manage their debts and make ends meet, both while they are in school and out of school.

According to an analysis by the Congressional Research Service (CRS), eliminating this benefit will force the typical borrower to pay $5,500 more for his or her student loans. And I do not think

you can regard the life cycle of the cost of borrowing to these students while they are in and out of school.

The Republican bill also caps the current authorized maximum Pell Grant at $5,800 through 2011, despite the fact that last year's maximum Pell Grant award was, as I said, $500 less than 1976 and 1977.

The bill raises the interest cap on student loans, a cap which my colleagues agreed to just a few years ago. And, as a result, millions of students will be forced to pay hundreds of dollars more in their college loans.

It completely eliminates a key provision to protect students and taxpayers against fraud and abuse in the student aid program without providing additional safeguards. We all strongly support the career colleges in the private sector in the higher education system but for-profit institutions should have some of their own money on the table to protect the consumers, the students, and the taxpayers.

In addition, the bill allows limited Federal funds, which have been reserved solely for nonprofit institutions to be made available to for-profit entities, without increasing the funds to this program. As a result, funding long reserved for community colleges, Hispanic Serving Institutions and Minority Serving Institutions will be cut.

Despite double digit increases, the bill also fails to adequately address the tuition process.

While I support the provisions to eliminate the lender floor rate of return on student loans to reduce excess bank subsidies, I believe that this is only one piece of a puzzle to return the programs to their original intent, which is to boost college opportunities for students.

At a time of rising college costs, high unemployment and little job growth, we should not be forcing students and their families to pay more for college education. We should not and we cannot afford to take this path. And I urge my colleagues to reject this bill as it is presently drafted.

I would hope that we would be able to make sure that all parties to the student loan community, if you will, that all of these issues are put on the table so that we can apportion out the cost and the savings of this program to all parties who participated. And I look forward to this hearing.

Chairman BOEHNER. As you can see, we are all on the same page now.

Before I introduce our distinguished panel of witnesses, let me welcome back to the Committee the distinguished former Chairman, retired Chairman of this Committee, the Honorable Bill Goodling. Bill, welcome back.

[Applause.]

Chairman BOEHNER. It is my pleasure to introduce our witnesses today. Our first witness will be Mr. Jim Boyle. Mr. Boyle currently serves as the president of College Parents of America, a nationwide organization dedicated to advocating on behalf of, and serving as a resource for, the country's current and future college parents. Mr. Boyle has nearly 25 years of experience in politics, trade associations, media business, and the financial services industry. College Parents of America is a not-for-profit membership organization

serving current and future college parents through a mix of advocacy, information resources, and access to discounts on products and services.

We will then hear from Dr. Dallas Martin. Dr. Martin currently serves as the president of the National Association of Student Financial Aid Administrators, an organization composed of 3,100 institutions and 9,300 financial aid professionals. And prior to his current role, Dr. Martin served as director of program planning and administration for the Division of Student Assistant Programs with the American College Testing program, as well as serving a number of years as a college and university administrator and educator.

We will then hear from Ms. Rebecca Wasserman. Ms. Wasserman currently serves as president of the United States Student Association, an organization founded in 1947, which represents students on Capitol Hill with the White House and the Department of Education. She is a recent graduate of the University of Wisconsin at Madison, where she studied political science and social welfare.

Then we will hear from Dr. Charles Reed. Dr. Reed currently serves as the chancellor of the California State University System, the country's largest senior system of public higher education. He provides leadership to 44,000 faculty and staff and 409,000 students on 23 campuses and seven off-campus centers. Prior to his current position, Dr. Reed served as the chancellor of the state university system of Florida.

We will then hear from Mr. Michael Grayer. Mr. Grayer recently earned his accountant assistant diploma from Virginia College in Jackson, Mississippi, overcoming numerous obstacles along the way. After graduating from high school in 2000, Mr. Grayer attended a local community college for a semester but was forced to withdraw due to inadequate transportation and limited financial resources. With assistance from the Federal Student Loan Programs, Mr. Grayer enrolled in Virginia College and earned his diploma in December of 2002. Currently he serves as an auditor and regional manager for the Security Life Insurance Company. He also successfully owns and operates Maxell Communications. He is the chief executive officer of three Subway stores and is the president and founder of Trinity Financial Solutions, a tax preparation and accounting firm.

I want to thank all of you for your willingness to come today, and we look forward to your testimony.

Mr. Boyle, you may begin.

STATEMENT OF JAMES A. BOYLE, PRESIDENT, COLLEGE PARENTS OF AMERICA

Mr. BOYLE. Good morning, Mr. Chairman, Mr. Miller, and other members of the Committee. My name is Jim Boyle, and since July 2003, I have been president of College Parents of America, a national association with two categories of membership: individuals, both current and future college parents, and institutions, which generally consists of schools that we believe we can supplement their parent relations activities.

A little over 2 years ago, when I first heard of the existence of the association that I am now privileged to lead, it struck me that when it came to the debate over the reauthorization of the Higher Education Act, one group which deserved a seat at the policy table had been ignored, namely, parents. So that is one of the many reasons why I am pleased to be invited to testify before you today, not only on behalf of our members but of all current and future college parents. Thank you for the opportunity.

Following is a summary of the views of College Parents of America on your proposed legislation:

We strongly agree with your overall goal of making college accessible and affordable for all Americans, consistent with the principles of the Higher Education Act since its passage nearly 40 years ago. While the attainment of a college education is much more widespread today than it was in 1965, we have reached a precarious place when it comes to Americans and their perceptions of whether college really is possible for all.

Across the continuum of the socioeconomic spectrum, from the most needy to the most wealthy of Americans, a dangerous notion is developing, a mis-perception that college is becoming out of reach for all but the most affluent. From my personal experience, growing up in a working class suburb of Detroit, I understand how such a misperception can develop. I was a first generation college student in the late 1970's, as was nearly everyone in my neighborhood who chose to continue their post-secondary education, not a very high percentage to begin with. While most of my peers lived at home and attended Wayne State University or Lawrence Tech or Oakland Community College, I was fortunate to have a college guidance counselor to helped me to see beyond the confines of the Detroit area, and who enabled me and my parents to realize that financial aide made every school in America within reach.

Through a combination of Pell Grants, institutional aid, a National Merit Scholarship, earnings from work study and other jobs and student loans, I was able to attend and graduate from Northwestern University in 4 years, an experience that was fulfilling and life-changing.

Young people growing up in Detroit, or anywhere else today, should still know that thanks to Federal, state, and institution-based aid, low- and middle-income students can afford college.

There are many provisions in your bill that help families to understand college is possible and which give them specific tools to pursue their higher education goals. Your proposal to make the Pell Grant available year-round is an important step in the right direction, as is your gradual elimination of the origination fee for student loans.

In 1981, I was a recent college graduate working as a staffer for a California Member of Congress when that fee was put in place as a temporary deficit reduction measure. Twenty-three years later, the "O" fee is still in place, and it is time to phase it out.

Your modest proposal of raising loan limits for first and second year students is also a step in the right direction, especially considering just how many years it has been since those limits were increased. I recommend, however, that you look at the possibility of creating greater borrower flexibility within the context of the over-

all loan limit rather than set year by year maximums. This flexible borrower account approach would allow for better financing options if family circumstances change while a student is in college and he or she is forced to turn to additional personal borrowing to meet school costs.

There are a few other provisions of the proposed bill that I would like to touch on before hearing the other witnesses and taking your questions.

First is your proposed new variable rate structure for consolidation loans in order to make those loans consistent with the structure for Stafford loans that you propose. I suppose it would be easy for me to stay out of this crossfire on this issue, as parents generally are not involved with their son's or daughter's financing decisions in the post-college years, or at least not as much as they are involved during college. But you have been right, Mr. Chairman, as have your colleague from the other side of the aisle, Mr. Andrews, to make the point that the future cost of the Consolidation Loan Program has the potential to be an enormous financial drain, thereby inevitably putting downward pressure, or at least a lid, on funds available to students currently attending or planning to attend college.

I would like to touch on the issue of transparency for college costs. I believe that families do want and need more and better information about the rate of tuition increases in general, the difference between sticker price and net price, as well as statistics on those specific schools that are successful, or not, at keeping prices low.

While the college cost issue reaches across all 50 states, families should know that many, but not all, states have trimmed a portion of their own budgets allotted to higher education.

On a host of budget issues, state legislators are often quick to point a finger at Washington and say, "It is the fault of Congress," when less than expected funding is made available for this initiative or that. But when it comes to support for higher education, you have every right to point out that state support has been falling as a percentage of university budgets for 20 years, in good economic times and in bad. To be fair, in recent years the actual dollars of state support for higher education have increased but so have enrollments.

Speaking of enrollment, it is essential to note the oncoming college attendance surge, a result of the baby boom echo. When my sixth-grader, Griffin, who is seated here behind me with my wife, Kelly, and younger son, Tucker, graduates, I hope, from high school in 2010, he will be part of the second largest graduating class in U.S. history, slightly smaller than the class of 2009, and both larger than any in the Baby Boom years.

This coming rise in the college-age population raises the stakes for this year's reauthorization. Assuming you can move a bill through this year, with accompanying action by the Senate, it is likely under this best-case-scenario, that the legislation will not be in force until at the earliest 2005 to 2006, which means that the policies you are looking to put in place today will hardly affect parents of today's college students but will instead greatly affect parents of today's sixth through eleventh graders.

The actions you take—or not—this year will impact American families for the next five to 6 years. And in each of those upcoming years, more families will be affected because the college-age population is projected to grow through at least 2012.

Part of the transparency debate will focus on how best to get information into the hands of parents. It seems that whenever there is talk about this issue, the proposed solution centers on four words: "COOL Web site needed." The reasoning seems to be that a new and improved Department of Education Web site will be the answer when it comes to providing the college preparatory information they crave. To those four words, I will respond with four of my own: "Remember the digital divide." It may have narrowed a bit since the last 1990's but it has not gone away. Survey after survey reveals that those who are most likely to need information about financial aid options are the least likely to have it. A COOL Web site will not address this issue.

I strongly suggest that you mandate the U.S. Department of Education to implement a national advertising campaign, principally utilizing the wide reach mediums of television and radio, to accomplish two goals: provide context on the costs and benefits of college; and to let people know about the widespread availability of financial aid.

Many of you may have your own COOL Web sites to serve your constituents or to promote your re-elections this fall. I am certain that such sites are only a small part of your communications strategy, not the be all and end all for dissemination of key messages. When it comes to key messages on access and affordability of college, a COOL Web site should be seen as a means, not as an end.

That is the end of my prepared statement, and I thank you for including me on behalf of College Parents of America in today's hearing.

Thank you.

[The prepared statement of Mr. Boyle follows:]

Statement of Jim Boyle, President, College Parents of America, Washington, DC

Good morning, Mr. Chairman, Mr. Miller and other members of the committee.

My name is Jim Boyle, and since July 2003, I have been president of College Parents of America, a national association with two categories of membership – individuals (both current and future college parents) and institutions (generally "parent-friendly" schools which have found that we can supplement their parent relations activities.)

A little over two years ago, when I first heard of the existence of the association that I am now privileged to lead, an image of a hearing just like today's popped into my head. It struck me that when it came to the debate over the reauthorization of the Higher Education Act, one group which deserved a seat at the policy table had been ignored – namely parents.

That's one of the many reasons why I am especially pleased to be invited to testify before you today. On behalf not only of our members, but of all current and future college parents, I thank you for this opportunity.

Of course, it's one thing to just fill a seat at the policy table, while quite another to justify our continuing place in the policy debate.

I am convinced, Mr. Chairman, that College Parents of America has earned a place at this table. I will leave it to you and other members of the committee to judge our contribution to today's discussion, our short-term affect on the shaping of the College Access and Opportunity Act of 2004 and our long-term involvement in the development of higher education policies.

Following is a summary of the views of College Parents of America as it pertains to your proposed legislation.

We strongly agree with your overall goal of making college accessible and affordable for all Americans, consistent with the principles of the Higher Education Act since its passage nearly forty years ago.

While the attainment of a college education is much more widespread today than it was in 1965, we believe that we have reached a precarious place when it comes to Americans and their perceptions of whether college really is possible for all.

Across the continuum of the socioeconomic spectrum – from the most needy to the most wealthy of Americans – a dangerous notion is developing, a misperception that college is becoming out of reach for all but the most affluent.

From my personal experience, growing up in a working-class suburb of Detroit, I understand how such a misperception can develop.

I was a first-generation college student in the late 1970s, as was nearly everyone in my neighborhood who chose to continue their post-secondary education, not a very high percentage to begin with.

While most of my peers lived at home and attended Wayne State University, Lawrence Tech or Oakland Community College, I was fortunate to have a college guidance counselor who helped me to see beyond the confines of the Detroit area, and who enabled me and my parents to realize that financial aid made every school in America within reach.

Through a combination of Pell grants, institutional aid, a National Merit Scholarship, earning from work-study and other jobs, and student loans, I was able to attend and graduate from Northwestern University in four years, an experience that was fulfilling and life-changing.

Young people growing up in Detroit, or anywhere else, today, should still know that thanks to federal, state and institution-based aid, low- and middle-income students can afford college.

There are many provisions in your bill that help families to understand college is possible, and which give them specific tools to pursue their higher education goals.

Your proposal to make the Pell Grant available year-round is an important step in the right direction, as is your gradual elimination of the origination fee for student loans.

In 1981, I was a recent college graduate working as a staffer for a California member of Congress when that fee was put in place as a "temporary" deficit-reduction measure. Twenty-three years later, the "o" fee is still in place, and it is time to phase it out.

Your modest, proposed raising of loan limits for first- and second-year students is also a step in the right direction, especially considering just how many years it has been since those limits were increased. I recommend, however, that you look at the possibility of creating greater borrower flexibility within the context of the overall loan limit, rather than set year-by-year maximums. This "flexible borrower account" approach would allow for better financing options if family circumstances change while a student is in college, and he or she is forced to turn to additional personal borrowing to meet school costs.

There are a few other provisions of the proposed bill that I would like to touch on before hearing the other witnesses and taking your questions.

First is your proposed new variable-rate structure for consolidation loans, in order to make these loans consistent with the structure for Stafford loans. I suppose it would be easy for me to stay out of the crossfire on this issue, as parents generally are not involved with their son or daughter's financing decisions in the post-college years, or at least not as much as they are involved during college.

But you have been right Mr. Chairman, as has your colleague from the other side of the aisle, Mr. Andrews, to make the point that the future cost of the consolidation loan program has the potential to be an enormous financial drain, thereby inevitably putting downward pressure or at least a lid on funds available to students currently attending or planning to attend college.

Next, I'd like to touch on the issue of transparency for college costs. I believe that families do want and need more and better information about the rate of tuition increases in general, as well as statistics on those specific schools that are successful – or not - at keeping prices low.

While the college cost issue reaches across all 50 states, families should know that many – but not all – states have trimmed the portion of their own budgets allotted to higher education.

On a host of budget issues, state legislators are often quick to point a figure at Washington and say "it's the fault of Congress" when less-than-expected funding is made available for this initiative or that. But when it comes to support for higher education, you have every right to point out that state support has been falling as a percentage of university budgets for 20 years, in good economic times and in bad.

To be fair, in recent years the actual dollars of state support for higher education have increased, but not at the same rate as enrollments.

And speaking of enrollment, it is essential to note the oncoming college attendance surge, a result of the baby-boom echo. When my sixth-grader Griffin graduates from high school in 2010, he will be part of the second largest graduating class in U.S. history, slightly smaller than the class of 2009, and both larger than any in the baby-boom years.

This coming rise in the college-age population raises the stakes for this year's reauthorization. Assuming you can move a bill through this year, with accompanying action by the Senate, it is likely, under this best-case scenario, that the legislation will not be in force until, at the earliest, AY 2005-2006.

Which means that the policies you are looking to put in place today will hardly affect parents of today's college students, but will instead greatly affect parents of today's 6th- through 11th-graders.

The actions you take – or not – this year will impact American families for the next five to six years. And in each of those upcoming years, more families will be affected, because the college-age population is projected to grow through at least 2012.

Part of the transparency debate, I am certain, will focus on how best to get information into the hands of parents. It seems that whenever there is talk about this issue, the proposed solution centers on four words: "cool Web site needed." The reasoning seems to be that a new and improved Department of Education Web site will be "the answer" when it comes to providing families the college preparatory information they crave.

To those four words, I'll respond with four of my own: "remember the digital divide." It may have narrowed a bit since the late 1990s, but it has not gone away. Survey after survey reveals that those who are most likely to need information about financial aid options are the least likely to have it. A "cool Web site" will not address this issue.

I strongly suggest that you mandate the U.S. Department of Education to implement a national advertising campaign, principally utilizing the wide-reach mediums of television and radio, to accomplish two goals: 1) to provide context on the costs – and benefits – of higher education; and 2) to let people know about the widespread availability of financial aid.

Many of you may have your own "cool Web site" to serve your constituents and/or to promote your re-election this fall. I am certain that such sites are only a small part of your communications strategy, not the be-all and end-all for dissemination of your key messages. When it comes to key messages on access and affordability of college, a "cool Web site" should be seen as a means, not as the end.

That is, however, "the end" of my prepared statement. Thank you for including me, representing College Parents of America, in today's hearing. I look forward to listening to the other witnesses, and to taking your questions.

Chairman BOEHNER. Thank you.

Dr. Martin.

STATEMENT OF A. DALLAS MARTIN, JR., PRESIDENT, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Dr. MARTIN. Thank you, Mr. Chairman, Mr. Miller, and members of the Committee on Education and the Workforce. I am Dallas Martin, and I am president of the National Association of Student Financial Aid Administrators. And I am pleased today to have the opportunity to comment upon the positive changes that H.R. 4283 makes to the Title IV student aid programs.

We recognize the Committee's charge to develop a revenue neutral bill and appreciate the difficult choices that had to be made to focus limited resources on current and future college students rather than individuals who have completed their post-secondary education. In an ideal world we would like to address the needs of all individuals. But with limited available funding, our highest priority as an association is to ensure access for current and low-income and middle-income students.

We are pleased to see that H.R. 4283 includes a number of the student aid proposals that we and others in the higher education community advanced. We are particularly pleased that the bill reduces the loan origination fees for students in both the FFEL and Direct Loan Programs, that it provides an interest only 2 year repayment plan option for borrowers who may have difficulty in meeting their repayment obligations. And it also continues the authorization for all of the time-proven Title IV student aid programs.

We are also delighted that the bill eliminates both the 30 day delay disbursement requirement and the multiple disbursements requirement for schools with default rates of 10 percent or less. And we are also pleased that the bill clarifies the student aid rules on drug-related offenses and expands the use of program funds to promote financial and economic literacy.

In addition, let me comment on several specific proposals. NASFAA supports the change proposed in the legislation to establish a market-based, variable interest rate for FFEL direct and consolidated student loans.

In the recommendations that we sent you last year, we proposed that all Stafford loans, including consolidation loans, would continue to have a variable interest rate capped at 6.8 percent. While H.R. 4283 retains the current 8.25 cap as opposed to the 6.8 which we proposed, we still believe that the change to a variable rate for all future borrowers establishes a system that will treat all borrowers more equitably. If the variable interest rate was currently in effect, all borrowers would have the advantage of participating

in the current low student loan interest rate environment. Similarly, in the future when interest rates rise, as they inevitably will, all borrowers again will be equally affected but will never have to pay a rate that is greater than 8.25. I would suggest that compared to other credit instruments that this change will help to ensure that the Federal Stafford Loan Programs provide students and parents with the best financing option.

NASFAA is also pleased to see that H.R. 4283 increases the annual subsidized loan limits for first and second year undergraduate students in both the FFEL and Direct Loan Programs. And I assume that your budgetary limitations prevented the Committee from considering the proposals that we advanced to make adjustments to upperclassmen and graduate and professional students as well.

While the proposed modest increases are certainly welcome, we would hope that the Committee as it continues work on this bill would give careful consideration to making the annual and aggregate loan limit changes that we support, which have been put forth in H.R. 4102 introduced by Congressman Rob Andrews. We also would strongly encourage the Committee to give serious attention to the new consolidation rate structure that is included in H.R. 4102, which would provide a variable subsidy to borrowers based upon the relationship between the borrower's total monthly loan payments and their total income. This change would clearly help lower income borrowers who have high student debt.

We would also ask that the Committee give consideration to including H.R. 4283 two other of NASFAA's earlier recommendations. One, which would allow individual institutions, if it so desires, to implement lower loan limits on a school-wide class level or academic program basis and a second recommendation which would eliminate the provision mandated that the school also loses eligibility to participate in the Pell Grant program if the school loses eligibility to participate in FFEL or Direct Loan Programs due to high defaults.

We also note that H.R. 4283 includes a proposal to modify the allocation of funds formula that is used to distribute Federal funds to institutions under the campus-based programs. This proposal is a modified version of a recommendation that NASFAA had advanced last year. The campus-based allocation formulas have been at the center of policy discussions over the past 25 years and people's views on whether the current formula should be modified depend in large part on when an institution began participating in one of the campus-based programs and in which state that institution is located.

Earlier modifications to the formula established a base guarantee to provide protection to participating institutions who had been in the program for a considerable period of time and who had made significant institutional investments to properly administer the programs. But the formula also established a fair share concept that would ensure that funds remaining after meeting base guarantees would be distributed to institutions based upon the amount of that institution's students' needs in relationship to the needs of students at all other participating institutions.

Unfortunately, the rather static funding of these programs over the past decade has prevented newer institutions which should have benefited from the fair share formula from keeping pace with institutions who student bodies have similar economic enrollment profiles. The provisions in H.R. 4283 would gradually reduce the base guarantee protection currently granted to certain institutions, thus freeing up additional dollars to distributed according to the fair share formula to all eligible institutions. While this change will shift dollars from some institutions to others over time, the provisions in H.R. 4283 provide institutions with adequate lead time to prepare for these changes.

We recognize that institutions across the country have different and strongly held views on whether the current formula should be modified. But the approach contained in this bill will help to ensure that the monies allocated under the three campus-based programs will be equitably distributed to the neediest students in all participating institutions across the country.

In conclusion, let me say while we have attempted to focus our analysis upon the Title IV student aid provisions contained in H.R. 4283, and we will continue to analyze the bill and provide you with additional comments, I should also note that there are many other significant changes included in the bill that have a dramatic impact upon institutions of higher education. While I don't have time or feel qualified to comment upon many of those proposals, I would strongly encourage the members of this Committee to carefully consider and analyze the thoughtful comments and suggests that others in the higher education community will undoubtedly make.

I look forward to working with the Committee and would be happy to respond to your questions when appropriate.

[The prepared statement of Dr. Martin follows:]

Statement of Dr. Dallas Martin, President, National Association of Student Financial Aid Administrators

Mr. Chairman and members of the Committee on Education and the Workforce, I thank you for the opportunity to testify today on HR 4283, the College Access and Opportunity Act of 2004. I am Dallas Martin and I am the President of the National Association of Student Financial Aid Administrators (NASFAA). Formed nearly forty years ago, NASFAA represents student financial aid administrators at nearly 3,100 postsecondary institutions across the nation.

Our association illustrates the diversity of our higher education enterprise with members from private and public institutions, community colleges, four-year schools, proprietary schools, and graduate/professional institutions. At these schools, NASFAA represents approximately 9,300 financial aid professionals whose passion is ensuring that talented Americans have the opportunity to attend a postsecondary institution by providing counseling and financial resources.

On December 19, 2002, NASFAA submitted to this Committee its recommendations for reauthorization of the Higher Education Act of 1965, as amended. The comprehensive set of over 100 individual recommendations was designed to ensure and extend educational opportunities for our nation's citizens, to target and re-target scarce taxpayer funds in an era of budget deficits to current and future students, to de-regulate and simplify the financial aid system, to encourage innovation, and to assist borrowers by providing both enhanced and equal benefits. While we were certainly sensitive to the budgetary climate as we developed our recommendations, our primary focus was on putting forth constructive legislative proposals that would ensure that needy students would have access to adequate financial resources to enable them to pursue postsecondary education.

As president of NASFAA, I am therefore pleased today to have the opportunity to comment upon the positive changes that HR 4283 makes to the Title IV student aid programs. We recognize the Committee's charge to develop a revenue-neutral bill and appreciate the difficult choices that had to be made to focus limited resources on current and future needy college students rather than individuals who have completed their postsecondary educational experience. In an ideal world, we would like to address the needs of all individuals but with limited available funding, our highest priority is to ensure access and opportunity for current and incoming low- and middle-income students.

We are pleased to see that HR 4283 includes a number of the student aid proposals that we and others in the higher education community advanced. We are particularly pleased that the bill reduces the loan origination fees for students in both the FFEL and Direct Loan programs, provides an interest-only two-year repayment plan option for borrowers who may have difficulty in meeting their repayment obligations, and continues the authorization for all of the time-proven Title IV student aid programs. We are delighted that the bill eliminates both the 30-day delayed disbursement requirement and the multiple disbursement requirement for schools with default rates of 10% or less. We also are pleased that the bill clarifies the student aid rules on drug-related offenses and expands the use of program funds to promote financial and economic literacy.

In addition, let me comment on several specific proposals.

NASFAA supports the change proposed in the legislation to establish a market-based variable interest rate for FFEL, Direct, and consolidated student loans. In the recommendations we sent you last year, we proposed that all Stafford Loans—including consolidation loans—would continue to have a variable interest rate capped at 6.8%. While HR 4283 retains the current 8.25% cap as opposed to the 6.8% which we proposed, we still believe that the change to a variable rate for all future borrowers establishes a system that will treat all borrowers more equitably. If the variable interest rate was currently in effect, all borrowers would have the advantage of participating in the current low student loan interest rate environment. Similarly, in the future when interest rates rise—as they inevitably will—all borrowers again will be equally affected but will never have to pay a rate that is greater than 8.25%. Compared to other credit instruments, this change will help to ensure that the Federal Stafford Loan programs provide students with their best financing option.

NASFAA is also pleased to see that HR 4283 increases the annual subsidized loan limits for first and second year students in both the FFEL and Direct Loan programs and assumes that budgetary limitations prevented the Committee from considering the proposal we advanced to make adjustments for upperclassmen and graduate/professional students.

While the proposed modest increases are certainly welcome, we hope that the Committee—as it continues to work on this bill—would give careful consideration to making the annual and aggregate loan limit changes that we support which have been put forth in HR 4102, introduced by Rep. Rob Andrews. We also would strongly encourage the Committee to give serious attention to the new consolidation rate structure that is included in HR 4102 which would provide a variable subsidy to borrowers based upon the relationship between the borrowers' total monthly loan payments and their total income. This change would clearly help lower income borrowers who have higher student debt.

We would also ask that the Committee give consideration to including in HR 4283 two other of NASFAA's earlier recommendations: one which would allow an individual institution—if it so desires—to implement lower loan limits on a school-wide, class level, or academic program basis and a second recommendation which would eliminate the provision mandating that a school also loses eligibility to participate in the Pell Grant Program if the school loses eligibility to participate in the FFEL or Direct Loan program due to high default rates.

We also note that HR 4283 includes a proposal to modify the allocation of funds formula that is used to distribute federal funds to institutions under the campus-based programs. This proposal is a modified version of a recommendation that NASFAA advanced last year.

The campus-based allocation formula has been at the center of policy discussions over the past 25 years. People's views on whether the current formula should be modified depend in large part on when an institution began participating in one of the campus-based programs and in which state the institution is located. Earlier modifications to the formula established a base guarantee to provide protection to participating institutions who had been in the programs for a considerable period of time and who had made significant institutional investments to properly administer the programs. The formula also established a fair share concept that would ensure that funds remaining after meeting base guarantees would be distributed to institutions based upon the amount of that institution's students' needs in relationship to the needs of students at all other participating institutions.

Unfortunately, the rather static funding of these programs over the past decade has prevented newer institutions which should have benefited from the fair share formula from keeping pace with institutions whose student bodies have similar economic enrollment profiles.

The provisions in HR 4283 would gradually reduce the base guarantee protection currently granted to certain institutions, thus freeing up additional dollars to be distributed—according to the fair share formula—to all eligible institutions. While this change will shift dollars from some institutions to others over time, the provisions in HR 4283 provide institutions with adequate lead time to prepare for these changes. While we recognize that institutions across the country have different—and strongly-held—views on whether the current

formula should be modified, the approach contained in this bill will help ensure that the monies allocated under the three campus-based programs will be equitably distributed to the neediest students at all participating institutions across the nation.

In conclusion, we have attempted to focus our analysis to date specifically upon the Title IV student aid provisions contained in HR 4283. As we continue to analyze the bill, undoubtedly we will have additional comments to submit to the Committee. I ask for your permission to submit these comments for the hearing record. I should also note that there are many other significant changes included in this bill that will have a dramatic impact upon institutions of higher education. While I do not feel qualified or have the time today to comment on many of these proposals, I would strongly encourage the members of this Committee to carefully consider and analyze the thoughtful comments and suggestions that others in the higher education community will undoubtedly make. I look forward to working with the Committee to make additional enhancements to the bill as it moves forward and would be pleased to respond to any questions you may have.

Chairman BOEHNER. Thank you, Dr. Martin.
Ms. Wasserman.

STATEMENT OF REBECCA J. WASSERMAN, PRESIDENT, UNITED STATES STUDENT ASSOCIATION

Ms. WASSERMAN. Thank you. Mr. Chairman, Ranking Member, and members of the Committee, and to all the students that were able to be here and apparently went through a lot to get here, I thank you for this opportunity to discuss H.R. 4283, the College Opportunity and Access Act.

I am here today representing the United States Student Association and the over 1 million students that we represent. USSA is the nation's oldest and largest national student association, representing students in D.C. since 1947.

My testimony on behalf of USSA addresses several key provisions in H.R. 4283 that will directly impact millions of low- and middle-income college students. While we believe that some provisions in this bill will help students, overall we oppose the College Opportunity and Access Act, as it will force millions of low- and middle-income students to pay more for college, deny free speech rights to students across the country, and re-open the doors to fraud and abuse in our student aid programs.

In short, this bill does not create the access or opportunities the title claims and in fact may block students from the doors of higher education. Most importantly, it represents a missed opportunity for this Congress to prioritize higher education and address the growing crisis as colleges and universities become less and less affordable.

We do applaud Chairmen Boehner and McKeon for retaining the current cumulative loan limits for undergraduate students. Far too many students are taking on huge loan debt to finance their college education. And while this provision allows students to borrow several thousand dollars more for college, it does not raise the limits in a careless manner. The typical undergraduate student graduates with nearly $19,000 in college loan debt, double that of the typical graduate in 1997.

In addition to soaring individual debt, there has been a seismic shift in the dependence on student loans as the primary finance mechanism to pay for college. Thirty years ago, student loans accounted for about 30 percent of all Federal student aid, while grants accounted for 70 percent. Today these figures are almost reversed. Student loans account for nearly 70 percent of all Federal student aid, while grants account for just 22 percent.

When students are forced to finance their higher education through unmanageable student debt, there is no real access. It con-

tinues a cycle of poverty for low-income students and limits their ability to give back to the economy of our country through purchasing a car, a home, or even taking a lower paying, public interest career path.

While we are disappointed that the student loan tax, or the origination fee, has not been fully eliminated, we do believe that reducing this tax from 3 percent to 1 percent over the reauthorization period is a positive step.

While USSA believes that maintaining the cumulative loan limits and reducing the origination fees are important steps to making college more affordable for millions of low- and middle-income students, overall the College Opportunity and Accessibility Act will actually force millions of low- and middle-income students and their families to pay thousands of dollars more for their college loans and education.

First, we are very disappointed that the Act fails to raise the maximum Pell Grant award. Last year's maximum Pell Grant was worth $500 less in real terms than the maximum award nearly 30 years ago. Despite the declining buying power of the grant, rising tuition prices and the growing financial need of students, H.R. 4283 fails to increase the maximum Pell award. To the more than 5 million students who depend on Pell Grants to make college possible this is a real step backwards toward making college a reality.

We are also troubled that the Act eliminates the current low-fixed rate consolidation benefit for student borrowers. According to a recent Congressional Research analysis, eliminating this benefit will force the typical student to pay nearly $5,500 more for their college loan. Denying student borrowers the choice to lock in a low-fixed interest rate makes college more expensive, just as tuition levels rise, state aid is being cut and students are facing double the loan debt they faced just 7 years ago. As a result, H.R. 4283 will eliminate college opportunities and make college even more expensive.

Consolidation is an important tool that helps low- and middle-income students manage their debt and makes college affordable. Congress should not deny student borrowers this benefit now when they need the help the most.

While we share the concern that the cost of the Consolidation Loan Program has the potential to increase significantly over the next decade, we are shocked that the leadership of this Committee has decided to bend the will of the big lenders and deny low- and middle-income students the choice to lock in a low-fixed interest rate.

The fact of the matter is that the big lenders that participate in the student loan program do not like the consolidation program because they are forced to pay fees to participate and because it increases competition in the market, as most students, but not all, can shop around to find the best deal and service for their loans. Due to low interest rates in the past few years, more and more students have consolidated their loans, increasing the likelihood that these students will switch lenders. The lenders that hold the lion's share of the total outstanding student loan debt would like to eliminate the current low-fixed rate benefit in order to do away

with the competitive market so that they can protect their portfolios and their profit margins.

The elimination of the current low-fixed rate benefit in H.R. 4283 comes as lenders in the student loan program continue to earn huge profits. According to a recent issue of Fortune Magazine, Sallie Mae is the second most profitable company in the United States, with a 37 percent return on their revenues in 2003. To give people context, the median return for the 500 biggest companies in the U.S. was 5 percent in 2003. In addition, according to a U.S. News & World Report article, in 2002, Sallie Mae's chief executive, Albert Lord, pocketed nearly $34 million in salary, bonus, and stock option payments.

It is important to remember that the student loan programs were created to provide low-cost loans to students and to increase access to a college education, not to set a program where lenders take home big profits on federally subsidized and guaranteed loans. Rather than forcing low- and middle-income students to pay thousands of dollars more for their college loans, Congress ought to completely eliminate excessive profits to lenders in the student loan programs and use the savings generated to make college more affordable for students.

We believe that the step that H.R. 4283 takes to reduce excessive lender profits is a critically important step and hope to see it followed by more good work to ensure that we are spending taxpayer revenues on increasing college access, not increasing profit margins of lenders.

It is troubling that this bill reduces excessive lender profits and then simultaneously raises the cap on student loan interest rates. According to projections from the Congressional Budget Office, this change will raise student loan interest rates and force student borrowers to pay hundreds of dollars more over the life of their loans. At a time when so many students and their families are struggling to pay for college, we should not be pushing higher costs on to low- and middle-income families.

In addition to raising the cost of college for the typical student by thousands of dollars, H.R. 4283 will strip students of their free speech rights on college campuses with the so-called Bill of Academic Rights. It is incredibly problematic for Congress to create provisions that could force our college and university administrators in doing excessive oversight of the official and unofficial activities of students. We cannot have officials in Washington, D.C. regulating the content of our classrooms. This intrusive oversight disrupts local control and challenges the mission of educational institutions.

We are also concerned that H.R. 4283 will put the students and the student aid programs at risk by repealing a key fraud and abuse protection, the "90-10" rule that was enacted more than a decade ago. Congressional hearings in the 1990's documented extensive abuses in the student aid programs, primarily by for-profit schools, which cost taxpayers billions of dollars. Among the abuses, Congress found that schools set tuitions at artificially high levels; closed without warning leaving students with no degree and loan debts; disbursed funds to ineligible students, and provided inadequate instruction.

In response to the rampant fraud and abuse, Congress enacted a set of safeguards, including the "90-10," formerly "85-15" rule, limited correspondence and telecommunications courses and prohibited bonuses and incentive payments to school employees and recruiters to stop the scams. These safeguards have been essential to curbing fraud and abuse in student aid programs. A full repeal of this safeguard could once again put students and the student aid programs at risk.

Last, we support your movement toward the repeal of the drug provision in the financial aid form, which has already denied over 128,000 students access to Federal financial aid. However, a partial repeal is not enough. We must pass a full repeal to guarantee access to education for all students, and education is the best rehabilitation.

To close, on behalf of USSA and the students who represent, we urge you to support changes to the current law that will make college more, not less, affordable to low- and middle-income students. USSA supports significantly raising the maximum Pell Grant, retaining the student choice to lock in a low-fixed rate consolidation benefit, lowering interest rates on student loans, protecting student autonomy and retaining safeguards to protect against fraud and abuse in the student aid programs.

Thank you.

[The prepared statement of Ms. Wasserman follows:]

Statement of Rebecca Wasserman, President, United States Student Association, Washington, DC

Mr. Chairman, Ranking Member and Members of the Committee,

Thank you for this opportunity to discuss H.R. 4283 the College Opportunity and Access Act. I am here today representing the United States Student Association and the over one million students that we represent. USSA is the nation's oldest and largest national student association, organizing and advocating in Washington, DC since 1947.

My testimony on behalf of the United States Student Association addresses several key provisions in H.R. 4283 that will directly impact millions of low and middle-income college students. While we believe that some provisions in this bill will help students, overall we oppose the College Opportunity and Access Act, as it will force millions of low and middle-income students to pay more for college, deny free speech rights to students across the country, and re-open the doors to fraud and abuse in the student aid programs. In short, this bill does not create the access or opportunities its title claims and in fact may block students from the doors of higher education. Most importantly, it represents a missed opportunity for this Congress to prioritize higher education and address the growing crisis as colleges and universities become less and less affordable.

We do applaud Chairmen Boehner and McKeon for retaining the current cumulative loan limits for undergraduate students. Far too many students are taking on huge loan debt to finance their college education and while this provision allows students to borrow several thousand dollars more for college, it does not raise the limits in a careless manner. The typical undergraduate student graduates with nearly $19,000 in college loan debt, double that of the typical graduate in 1997.

In addition to soaring individual debt, there has been a seismic shift in the dependence on student loans as the primary finance mechanism to pay for college. Thirty-years ago student loans accounted for about 30 percent of all federal student aid, while grants accounted for 70 percent. Today these figures are almost reversed: student loans account for nearly 70 percent of all federal student aid, while grants account for just 22 percent. When students are forced to finance their higher education through unmanageable student debt, there is no real access. It continues a cycle of poverty for low-income students and limits their ability to give back to the economy of our country through purchasing a car, a home, or even taking a lower-paying, public interest career path.

While we are disappointed that the student loan tax, or the origination fee, has not been fully eliminated, we do believe that reducing this tax from 3 percent to 1 percent over the reauthorization period is a positive step.

While USSA believes that maintaining the cumulative loan limits and reducing the origination fees are important steps to making college more affordable for millions of low and middle-income students, overall the College Opportunity and Accessibility

Act will actually force millions of low and middle-income students, and their families, to pay thousands of dollars more for their college loans and education.

First, we are very disappointed that the Act fails to raise the maximum Pell Grant award. Last year's maximum Pell grant was worth $500 *less*, in real terms, than the maximum award nearly thirty years ago. Despite the declining buying power of the grant, rising tuition prices, and the growing financial need of students H.R. 4283 fails to increase the maximum Pell award.

To the more than 5 million students who depend on Pell grants to make college possible this is a real step backwards towards making college a reality.

We are also troubled that the Act eliminates the current low-fixed rate consolidation benefit for student borrowers. According to a recent Congressional Research Analysis, eliminating this benefit will force the typical student to pay nearly $5,500 more for their college loans. Denying student borrowers the choice to lock in a low-fixed interest rate makes college more expensive, just as tuition levels rise, state aid is being cut, and students are facing double the loan debt they faced just seven years ago. As a result, H.R. 4283 will eliminate college opportunities and make college even more expensive.

Consolidation is an important tool that helps low and middle-income students manage their debt and makes college affordable. Congress should not deny student borrowers this benefit now when they need the help the most.

While we share the concern that the costs of the consolidation loan program have the potential to increase significantly over the next decade, we are shocked that the leadership of this committee has decided to bend to the will of the big lenders and deny low and middle-income students the choice to lock in a low-fixed interest rate.

The fact of the matter is that the big lenders that participate in the student loan program do not like the consolidation program because they are forced to pay fees to participate and because it increases competition in the market-as most students (but not all) can shop around to find the best deal and service for their loans. Due to low interest rates in the past few years, more and more students have consolidated their loans, increasing the likelihood that these students will switch lenders. The lenders that hold the lion's share of the total outstanding student loan debt would like to eliminate the current low-fixed rate benefit in order to do away with the competitive market so that they can protect their portfolios and profit margins.

The elimination of the current low-fixed rate benefit in H.R. 4283 comes as lenders in the student loan program continue to earn huge profits. According to a recent issue of *Fortune* magazine, Sallie Mae is the second most profitable company in the United States with a 37 percent return on their revenues in 2003. To give people context, the median return for the 500 biggest companies in the United States was 5 percent in 2003. In addition, according to a *U.S. News and World Reports* article, in 2002, Sallie Mae's chief executive, Albert Lord, pocketed nearly $34 million in salary, bonus, and stock option payments.

It is important to remember that the student loan programs were created to provide low-cost loans to students and to increase access to a college education, not to set up a program where lenders take home big profits on federally subsidized and guaranteed loans. Rather than forcing low and middle-income students to pay thousands of dollars more for their college loans, Congress ought to completely eliminate excessive profits to lenders in the student loan programs and use the savings generated to make college more affordable for students.

We believe that the step that H.R. 4283 takes to reduce excessive lender profits is a critically important step, and hope to see it followed by more good work to ensure that we are spending taxpayer revenues on increasing college access, not increasing profit margins of lenders.

It is troubling that this bill reduces excessive lender profits and then simultaneously raises the cap on student loan interest rates. According to projections from the Congressional Budget Office (CBO), this change will raise student loan interest rates and force student borrowers to pay hundreds of dollars more over the life of their loans. At a time when so many students and their families are struggling to pay for college, we should not be pushing higher costs onto low and middle-income families.

In addition to raising the cost of college for the typical student by thousands of dollars, H.R. 4283 will strip students of their free speech rights on college campuses with the so-called bill of academic rights. It is incredibly problematic for Congress to create provisions that could force our college and university administrators into doing excessive oversight of the official and unofficial activities of students. We cannot have officials in Washington D.C. regulating the content of our class rooms; this intrusive oversight disrupts local control and challenges the mission of educational institutions.

We are also concerned that H.R. 4283 will put the students and the student aid programs at risk by repealing a key fraud and abuse protection-the "90-10" rule-that was enacted more than a decade ago. Congressional hearings in the 1990s documented extensive abuses in the student aid programs, primarily by for-profit schools, which cost taxpayers billions of dollars. Among the abuses, Congress found that schools: set tuitions at artificially high levels; closed without warning-leaving students with no degree and loan debts; disbursed funds to ineligible students; and, provided inadequate instruction.

In response to the rampant fraud and abuse, Congress enacted a set of safeguards, including the "90-10" (formerly "85-15") rule, limited correspondence and telecommunications courses, and prohibited bonuses and incentive payments to school employees and recruiters, to stop the scams. These safeguards have been essential to curbing fraud and abuse in the student aid programs.

A full repeal of this safeguard could once again put students and the student aid programs at risk.

Lastly, we support your movement towards the repeal of the drug provision in the financial aid form, which has already denied over 128,000 students access to federal financial aid. However, a partial repeal is not enough. We must pass a full repeal to guarantee access to education for all students, and education is the best rehabilitation.

To close, on behalf of USSA and the students who we represent we urge you to support changes to the current law that will make college more, not less, affordable to low and middle-income students. USSA supports significantly raising the maximum Pell grant, retaining the student choice to lock in a low-fixed rate consolidation benefit, lowering interest rates on student loans, protecting student autonomy and retaining safeguards to protect against fraud and abuse in the student aid programs.

Chairman BOEHNER. Thank you.
Dr. Reed.

STATEMENT OF CHARLES B. REED, CHANCELLOR, CALIFORNIA STATE UNIVERSITY SYSTEM

Dr. REED. Chairman Boehner, Ranking Member Miller, and distinguished members of this Committee, good morning, and thank you for your invitation to testify.

The 23-campus California State University System is the largest university system in the United States. We have over 409,000 students this year. Access is our mission. We award almost 5 percent of all the bachelor's degrees in this country, and almost half of the bachelor's degrees in California. Also, we have a largely non-traditional student population where 20 percent are first generation college students, 40 percent come from households where English is not the main language spoken, and more than one-third of our students work full time. The average age of our students is 24, and most or almost 50 percent of our students are classified as independent students. We, the California State University System, look like the future of higher education and what higher education is going to look like in 2015 and beyond.

I would like to use my time this morning to briefly address five key points from my written testimony beginning with the Pell Grants. The Pell Grant program is essential to preserving college opportunity for disadvantaged students and is perhaps the single most important financial aid program in the California state university. One hundred and sixteen thousand of our students re-

ceived over $316 million in Pell awards last year, averaging $2,700 per student.

Both H.R. 4283 and H.R. 3180 contain provisions to allow students to receive a second Pell Grant in a given year for summer study. I want to thank Representative McKeon and Miller for their support for this concept. Year-round study helps students complete their academic degree sooner which reduces student borrowing and allows institutions to use their resources much more efficiently.

However, we must ensure that schools that serve the most disadvantaged students are allowed to participate in year-round Pell. The proposed standard of at least 30 percent of students graduating within 4 years will not recognize institutions like the California State University that enroll many non-traditional students. A standard of 30 percent of students graduating within 6 years would be a much better way to serve these students.

Second, campus-based funding formulas. We applaud H.R. 4283's efforts to eliminate the use of a base guarantee in the funding formula for the campus-based programs. The base guarantee concept adversely impacts new campuses because it uses enrollment calculations from the first one or 2 years of a program's participation. When you start, you start small with 1,000 to 2,000 students but today we have three of those institutions that are well over 12,000 students.

I should note that the CSU is affected by this proposal from both ends, having added three new campuses since 1990 but also have several campuses that would lose resources if the base guarantee were eliminated. We have talked about this as a group of presidents, and we support your bill. We just ask that you accelerate that timetable. We are for fairness and we think that the distribution ought to be based upon institutional need.

Third, student loans. H.R. 4283 proposes to gradually reduce student loan origination fees to 1 percent. I should note that in the past Representative Miller has also advocated for the elimination of origination fees. Given the importance of these programs to CSU students, I strongly support any movement in this direction.

H.R. 4283 would also increase the amount first and second year students could borrow while maintaining the aggregate borrowing caps. While we are all concerned with students' increase in debt burden, the proposed increases would improve overall flexibility for needy students and may reduce reliance on more costly alternative loan programs.

Fourth, early outreach and student support. The CSU joins the higher education community in support of TRIO and GEAR-Up as separate and complementary programs. These programs are vital to preparing under-represented students for college and they reduce the need for remediation which saves students and institutions time and money. I have spent many hours in the classroom in the 7th grade to see our GEAR-Up program working to help these students prepare for the future that they want to attend college.

Fifth, Hispanic-Serving Institutions. Last but not least, issues relating to Hispanic-Serving Institutions are particularly critical in California, which is the home to approximately one-third of the nation's Latino population. The California State University supports

many of the proposals of the Hispanic Association of Colleges and Universities, and especially one that would create a new competitive graduate education component for HSIs under Title V.

Again, thank you for allowing me to testify this morning. I trust that you will feel free to contact me or members of my staff as they continue this important discussion.

Thank you.

[The prepared statement of Dr. Reed follows:]

Statement of Charles Reed, Chancellor, California State University System, Long Beach, California

Good Morning.

Chairman Boehner, Ranking Member Miller, Subcommittee Chairman McKeon, and Subcommittee Ranking Member Kildee, thank you for having me here today to present the California State University's views on H.R. 4283, the College Access and Opportunities Act. I note that several provisions in this bill have been included in legislation authored by members on both sides of the aisle, and I commend the Committee for its attention to the important task of ensuring that every student that chooses to can pursue a postsecondary education.

Introduction – Few, if any, university systems can match the scope of the California State University (CSU) system. Nationally, about 1.25 million bachelor's degrees are awarded annually in the United States by about 2,000 colleges and universities with a combined student population in excess of 15 million. As the nation's largest four-year university system, the California State University's 23 campuses award more than 4.5 percent of those bachelor's degrees, giving the CSU a significant national presence. In California, a state boasting 372 public and private institutions, the CSU plays an even stronger role. It serves more than 400,000 students, twice as many as the University of California and more than all private colleges and universities in California combined. It accounts for almost half of the bachelor degrees granted in California, and a third of the master's degrees.

And those bachelor degrees are not narrowly focused. Because of the breadth of its offerings, which includes more than 1,800 degree programs, the California State University serves as the essential engine of California's skill-dependent economy. Its role in workforce preparation is unrivaled. It provides the majority of the state's new teachers, 40 percent of its engineering and nearly half of its business graduates, and more graduates in agriculture (California's number one industry), communications, health, and public administration than all other California colleges and universities combined. Our focus is on quality, access, and affordability. We are proud to say that the CSU is working for California.

H.R. 4283would reauthorize Title IV of the Higher Education Act, which provides the lion's share of federal financial assistance to America's postsecondary students. In addition, it makes important changes to programs that aid developing institutions serving large numbers of disadvantaged and minority students. I will not comment on every aspect of this legislation, but will focus my remarks on the provisions that most affect the CSU, its students, and its future students.

Pell Grant Program – The Pell Grant program represents the foundation of federal student financial aid programs. As the most need-focused federal student aid program, a strong Pell Grant program is essential to closing the gap in college enrollment and completion that exists between low-income students and their more affluent peers. A continued commitment to the Pell Grant program, and to increases in the maximum Pell Grant award, are essential to ensuring access for disadvantaged students. Across the California State University System, 116,000 students receive $316 million in Pell Grant awards. The average CSU Pell Grant recipient receives $2,700 per year from the Pell Grant program, and Pell Grants account for 23 percent of the funds awarded to CSU students. On behalf of CSU students across California, I would like to thank the members of the Committee for that.

Both H.R. 4283, the College Access and Opportunity Act, and H.R. 3180, the College Opportunity for All Act, contain provisions to allow students to receive a second Pell Grant in a given year for summer study, and I would like to thank Representatives McKeon and Miller for their support for this concept. Year-round study enables students to complete their academic degree in less time than might otherwise be required. This reduces the amount of time that a student spends in school, saves the student money (and reduces borrowing), and permits more efficient use of campus facilities and resources at a time when those resources are being stretched due to increasing enrollments and tight state budgets. Increasing enrollment demand will be a national trend for the foreseeable future, and we fully expect a number of institutions to utilize a year-round calendar as a resource management strategy. Such a move may also increase student persistence and graduation from college.

I strongly endorse efforts to provide additional Pell Grant funds to students for year-round study. However, I note that any such proposal has costs associated with it, and that attempts will be made to limit those costs. Care must be taken to ensure that in doing so, schools that are serving the most disadvantaged students be allowed to participate. For example, about one-half of CSU students are non-traditional students, many of whom do not attend college full time and are not able to graduate in four, or even five, years. One third of our students work full time, and many are parents who but for the CSU would be unable to earn a college degree. Our understanding is that in order to participate in year round Pell, H.R. 4283 would require an institution to have a four-year graduation rate of at least 30 percent. This will not work for institutions that serve large populations of non-traditional students, yet these are the students who would benefit most from the flexibility provided by a year round program. It is doubtful that such a provision would work well for students attending Historically Black Colleges and Universities (HBCUs) or Hispanic-Serving Institutions (HSIs) either. A proposed standard of at least 30 percent of students graduating within 150 percent of the normal time required for degree completion would better afford recognition of the non-traditional student population served by many institutions. If eligibility criteria are necessary, I urge you to be cautious in the criteria that are chosen, and offer the CSU as a resource as we go forward.

I would also note that probably the most beneficial year-round Pell grant provision, both for students and for institutions, would be to permit utilization of Pell Grants for students who enroll for summer study in order to complete their remaining degree requirements – even if they don't need to enroll full-time - rather than having them enroll for an entire term in the subsequent academic year. Such a provision should be open to students at any Title IV eligible institution, and I would urge you to add such a provision to the bill.

Finally, I note that the bill would eliminate tuition sensitivity within the Pell Grant program. While this particular provision does not affect the CSU, I urge that it be enacted. Many CSU graduates begin their studies in the California Community College system. Because of tuition sensitivity, they are not eligible for the same maximum Pell Grant that most students receive. Repeal of tuition sensitivity would greatly benefit these students, and may reduce their level of indebtedness when they graduate.

Campus–Based Programs – The Campus–Based programs (Perkins Loans, Federal Work-Study, and Supplemental Educational Opportunity Grants (SEOG)) are vital to the CSU's efforts to attract, retain, and graduate disadvantaged students. Unique to these programs is the flexibility they provide to financial aid administrators to package aid awards to best meet the needs of their students. In addition, these programs require an institutional match, which leverages the federal investment to provide even more aid to more students. The CSU knows that these programs work, and joins the higher education community in urging increased funding for them.

Campus–Based Funding Formula -- During reauthorization of the Higher Education Act, one of the highest priorities of the CSU is to correct inequities in the funding formula for the Campus-Based programs. Specifically, the CSU urges the elimination of the use of a "base guarantee" in allocating Campus-Based funding to institutions, and instead asks that all Campus-Based funds be distributed based on the institutional need of the institution as it relates to the institutional need of all participating institutions.

Currently, the Campus-Based funding formulas ensure that participating institutions receive no less than their "base guarantee." For any institution that participated in these programs prior to 1985, this ensures that they receive at least what they received in 1985,

regardless of whether their enrollment of financially needy students increased, decreased, or remained constant. This "hold harmless" provision drastically reduces the funding available to institutions that have seen dramatic increases in the enrollment of students from low-income families. Moreover, the base guarantee concept is especially unfair to new institutions or new campuses. For new institutions, the base guarantee is calculated using enrollment during the first 1-to-2 years of program participation. This "snapshot" of student enrollment generally does not reflect a mature campus population as the new campus adds both programs and students. The result is an artificially low Campus-Based allocation, a growing student body, and little new money to be distributed on a fair share basis. In response to increased enrollment demand in California, and at the direction of the state legislature, the CSU has added three new campuses since 1990. We are especially aware of the inequity of the current formula, and especially concerned for the students who will go underserved if the Campus-Based formulas are not changed.

H.R. 4283, as drafted, would begin the phase out of the outdated base guarantee, and I applaud that effort. The phase out approach provides time for institutions to plan for this change in the allocation formula, and I applaud that as well. However, as drafted, the phase out of the base guarantee will not be complete until 2015. I would urge that the timetable be accelerated, similar to the proposal the National Association of Student Financial Aid Administrators (NASFAA) has recommended, in order to ensure that scarce funding for the Campus-Based programs is more equitably distributed on the basis of student need. In addition, I would ask members of the Committee to consider adding a provision that would increase Campus-Based Aid allocations more quickly to institutions that have begun operations since the base guarantee concept was implemented. Many of these campuses have tremendous need, and many of their students continue to be underserved. I should point out that I urge phasing out the base guarantee despite the fact that a number of CSU campuses stand to lose resources under this proposal.

H.R. 4283 contains a provision that would allow the Secretary to allocate a percentage of SEOG and Work-Study funds to campuses that have a 50 percent graduation rate of their Pell Grant recipients in a four-year period, and this concerns me. Such a provision could take needed funds from schools that serve large numbers of non-traditional students, and allocate them to schools serving students that can afford to pursue their education on a full-time basis. If special allocation provisions are to be included in the formula, they would be better used to increase allocations to new campuses that have been most disadvantaged by the base guarantee concept or to promote more community service in the Work-Study program.

Finally, I note that during the 1998 reauthorization of the Higher Education Act, Congressman McKeon, Congressman Miller, and members of this Committee took steps to increase fairness in the Campus-Based Aid funding formula. These efforts did result in an increase in the amount of money distributed on a "fair share" basis, and on behalf of the CSU and its students, I thank you for that.

Federal Work-Study Community Service Provisions -- Also of great interest to the CSU are the community service requirements within the Federal Work-Study Program. The CSU is committed to a culture of community service and service learning. Over 1,700 service-learning courses in a wide variety of disciplines are offered each year across the CSU, and additional courses that incorporate service learning continue to be developed. Approximately 135,000 of our students throughout the state perform a total of 33.6 million hours of community service annually. Within the Federal Work-Study program, in 2002-2003, CSU campuses devoted an average of 27 percent, or $5.2 million, of their allocation to community service placements, well above the federal requirement of seven percent, or the national average of 14 percent in 2001-2002.

Despite the concerns of some in the higher education community, the CSU supports efforts to increase the amount of Work-Study that is devoted to community service placements. However, to the extent that such changes are considered, we urge that you put the interests of the student first, and bear in mind factors that might preclude some students from participation in service activities. Such factors may include geographic location, the nature of the student's educational program, or the student's economic situation. The CSU would be pleased to share the experiences of our campuses in this regard. The CSU also urges you to consider incentives for institutions to devote more of their Federal Work-Study allocation to community service. For example, additional funds could be allocated to campuses that exceed a certain threshold of service placements, or the federal matching requirement could be waived for Work-Study funds that are used for community service placements. I note that the Administration has proposed reserving 20 percent of Work-Study funds for community service placements on a competitive basis, and I support this proposal. Alternatively, I submitted a similar proposal in my letters of April 2, 2003 to Chairman Boehner, Ranking Member Miller and Subcommittee Chairman McKeon and Subcommittee Ranking Member Kildee that could accomplish the same goal.

Federal Perkins Loan Program --We join the higher education community in thanking the Committee for its bipartisan support for maintaining a distinct Perkins Loan program. This program provides financial aid professionals with the flexibility to assist students with unmet need. This can be especially important for serving students in their first year of study, when grant and Work-Study aid is often insufficient to meet their need, and when limits for other loan programs restrict access to student loan capital.
H.R. 4283 makes two specific changes to the Perkins Loan program that I would like to comment on. The first is an increase in borrowing limits for both undergraduate and graduate students. I am supportive of this provision as it will give financial aid administrators even more flexibility in tailoring a student's aid package to his or her overall need. I know that some are concerned with increased debt burden on students, and I share that concern. However, I believe that the flexibility given to financial aid professionals to package these loans should mitigate this concern. The second provision that I'd like to comment on is the extension of Perkins Loan forgiveness to military personnel. Again, I fully support this provision. The men and women of our armed forces are making tremendous sacrifices for us, and this provision is one way to thank them for their service. In implementing this provision, I ask that you make certain that the funding is provided to carry it out. The men and women of our armed services deserve nothing less.

Early Outreach and Student Support Programs -- The CSU joins the higher education community in support of both the TRIO and GEAR UP programs, and proposes that these important programs be expanded to serve an increased number of disadvantaged and low-income students. The TRIO and GEAR UP programs are vital to preparing underrepresented students for college, encouraging persistence and ultimately graduation. Skills gained through the TRIO and GEAR UP programs reduce the need for remediation, saving students and institutions time and money. And, while these programs complement each other, each has a unique purpose and each serves a unique cohort of students. Accordingly, the CSU supports the approach taken in the College Access and Opportunity Act to maintains these distinctly separate and complementary programs.

The CSU proposes three modifications to the TRIO and GEAR UP programs. First, the TRIO program should be expanded to include community-based organizations with experience in serving disadvantaged youth. Second, incentives should be created within both programs to encourage middle schools and high schools to form partnerships with colleges to develop college preparatory programs for disadvantaged students. Third, incentives within these programs should be created to encourage and prepare underrepresented students to pursue coursework and careers in fields such as science, technology, engineering, and mathematics (the "STEM" fields). I would be pleased to work with you as the legislation moves forward to include such provisions.

Aid for Institutional Development and Developing Hispanic-Serving Institutions – A number of CSU campuses are active members of the Hispanic Association of Colleges and Universities (HACU), and the system supports HACU's efforts to strengthen Hispanic-serving Institutions and to reach out to Latino students. The CSU is generally supportive of HACU's legislative agenda. In particular, I would like to highlight a few initiatives that are particularly important to the CSU, and other institutions that serve large numbers of Hispanic students.

Title III and Title V of the Higher Education Act contain provisions that expand and enhance the academic quality, institutional management, fiscal stability, and self-sufficiency of institutions that serve large numbers of disadvantaged and minority students. Support for these programs is essential if we are to close the educational achievement gap. The CSU applauds Congress' and the Administration's efforts to increase funding for minority-serving institutions in general, and Hispanic-serving institutions (HSIs) in particular. The CSU urges continued funding increases for these programs.

Additionally, the CSU supports proposals put forward by the Hispanic Association of Colleges and Universities (HACU) to create a new competitive graduate education component for HSIs under Title V of the HEA. This new initiative would be a distinct funding source to improve graduate programs at Hispanic-Serving Institutions, and would be similar in nature to the Strengthening Historically Black Graduate Institutions program under Part B of Title III. I note that such a proposal was included in H.R. 3180, the College Opportunity for All Act, and I urge you to include a similar provision in H.R. 4283.

A number of CSU campuses are also strongly supportive of provisions included in the College Access and Opportunity Act that would eliminate provisions requiring that the population of Hispanic students at an institution be at least 50 percent low-income in order to receive a grant under Title V, and requiring that an institution that has received a grant under Title V must wait two years before being eligible for a subsequent grant. In making these changes, I note that the bill would require that eligible institutions continue to demonstrate financial need, and I support this approach. It is important to remember that the purpose of Title V is to provide support to developing institutions, and to remain true to that purpose. I would also like to highlight a developing problem with the 50 percent eligibility rule, which this legislation would correct. In selecting new grant applications, I understand that the Department of Education is now requiring applicants to provide detailed documentation for each low-income Hispanic student on their campus. In some instances, they are expected to comply within one to two weeks of the Department's request. This is tremendously burdensome and expensive for a developing institution, and I would ask that the Committee work with the Administration to develop a more efficient method for determining eligibility until new financial need criteria can be enacted.

Finally, there are a few new allowable uses of Title V funds contained in the bill that will be beneficial to a number of HSIs, and would increase overall flexibility within the Title V program. The first is a provision that allows grantees to use Title V funds to improve their electronic infrastructure, and expand distance education opportunities for their students. This is a good provision and should be maintained. The second is a provision added by Representative Pete Hoekstra (R-MI), which would allow HSIs to work with elementary and secondary schools to better prepare disadvantaged students for college. This is a good fit with efforts that CSU campuses are already undertaking to prepare and recruit students, reduce the need for remedial education, and ultimately graduate an increasing number of students who might otherwise slip through the cracks. Again, I applaud this addition, and ask that it be maintained as the bill moves forward.

Student Loan Programs – The federal student loan programs are extremely important for CSU students. For the 2002 – 2003 award year, over 123,000 CSU students or their parents took out loans for a combined value of $731.3 million. Clearly, without these vital programs, access to our institutions would be severely reduced.

The College Access and Opportunity Act proposes some important changes to these programs. For example, the legislation would gradually reduce student loan origination fees from their current level of three percent to a more reasonable one percent. This would provide more money for students when they truly need it. I note that in the past, Representative Miller has also authored provisions and advocated for the elimination of origination fees, and I strongly support any movement in this direction.

H.R. 4283 would also increase the amount first and second year students could borrow, while maintaining aggregate borrowing caps in order to prevent overall student debt from increasing. For students in their first year of study, loan limits would increase from $2,625 to $3,500, and, for students in their second year of study; loan limits would increase from $3,500 to $4,000. While we are all acutely aware of, and concerned with, the increasing debt burden that students face, I believe that the proposed increases will improve overall flexibility for needy students and may reduce reliance on more costly alternative loan programs. While I understand and appreciate that a number of student organizations, including the California State Student Association (CSSA), place the highest priority on increased grant support, ensuring that students – those from middle income as well as low-income families - have access to low-cost loans is also important to the goal of providing access and opportunity.

In addition, H.R. 4283 requires student loan holders to report student loan payment to all major credit bureaus. Currently, such information is generally only reported when a student is delinquent or in default. This provision will help diligent borrowers build stronger credit ratings, which may help when they purchase their first home or car. I also note that the bill would allow borrowers who are having financial difficulties to make interest-only payments for up to two years. While I support efforts such as this to help ease repayment for those who need it, I urge that it be used only sparingly, as borrowers who take advantage of this flexibility will also pay more in interest over the life of their loan.

Finally, the College Access and Opportunity Act would reinstate two provisions that are important to the CSU, and important to colleges and universities across the nation. These provisions allow institutions with student loan default rates of less than 10 percent to waive delayed disbursement and multiple disbursements of student loan proceeds to borrowers in their first year of study. First enacted in 1998, these provisions allow students to receive funds when they most need them, at the beginning of the school year. They have the added advantage of allowing the financial aid office to operate more efficiently, saving scarce resources in times of tight budgets and growing enrollments, and they provide incentives for institutions to keep their default rates low. I am pleased to say that for the most recent year for which data are available, the CSU's system wide default rate is a mere 3.7 percent, well below the national average of 5.5 percent, and no CSU campus has a default rate that is above 5.4 percent. Needless to say, at the CSU we work hard to keep our default rates down. Reinstatement of these provisions would make a nice reward for those efforts.

Loan Forgiveness for Teachers – During the 1998 reauthorization of the HEA, a provision was included to help address the severe teacher shortage by providing loan forgiveness to teachers serving in underserved areas. H.R. 4283 increases the amount of loan forgiveness available to math, science, special education, and reading teachers. The CSU supports these needed provisions, and advocates expanding the provision to address the severe nursing shortage we now face by allowing similar mandatory loan forgiveness for nurses serving in shortage areas.

Distance Education – When the Higher Education Act was first enacted in 1965, the opportunities for distance learning that we have today, let alone the Internet, were inconceivable. By the time of the last reauthorization, in 1998, it was becoming apparent that the way we teach, and the way we promote access to individuals, especially in remote locations, was fundamentally changing. However, in 1998, no one knew quite how to deal with this new challenge, or how to embrace it without increasing fraud and abuse in the Title IV programs. In 2004, we, the accrediting agencies, and the Department of Education have more experience with this medium, and thanks to initiatives such as the Distance Education Demonstration program, we also have a higher comfort level with distance education. H.R. 4283, which eliminates the 50 percent limitation on courses offered and students enrolled in distance education courses, would remove a cumbersome monitoring requirement on the part of institutions as they increasingly turn to technology assisted instruction in order to meet demands for courses and programs by non-traditional students and those without easy access to traditional campus instructional programs.

Need Analysis Provisions – The CSU joins in support of efforts to simplify the financial aid application process by expanding the availability of a simplified needs test to applicants and families who have already demonstrated need by virtue of their eligibility for other means-tested federal benefit programs. Efforts to simplify the application form – both paper and electronic versions – should remove the perceived barrier to access that the FAFSA presents for many low-income families. We also believe that the bill's other need analysis provisions will provide for more equitable treatment of students and families by protecting a large amount of a dependent student's earnings and by ensuring that families who save through qualified tuition plans are not penalized for their advance planning to meet college costs.

Consumer Information – H.R. 4283 takes steps to make more useful information available to students and to parents as they make important choices as to which institution fits them the best. The goal of the legislation is to do this using information that schools are already reporting, and the CSU support these efforts. Already, we are taking steps to ensure that families have the information they need to prepare for a CSU education, and to ensure that they know who we are, what we provide, and what they can expect for their investment. One such effort is our web-based CSU Mentor student application program. While supporting these initiatives, I must caution against the temptation to require institutions to report more than they already do. Such reporting is time consuming, costly, and ultimately prevents schools from applying themselves to their primary mission, which is to educate students. Some of the reporting requirements contained in the bill are causing a great deal of unease within the higher education community. I urge you to work with us and with the community to provide useful information without increasing bureaucratic red tape.

Pell Data Match – I note that the bill contains a provision sponsored by Representative Sam Johnson (R-TX), which would require the Department of Education to match income data provided on the financial aid application form with IRS records. The primary purpose of this provision is to reduce fraud and abuse in the Pell Grant program, and to direct Pell Grant funding to those with true need. However, if done correctly, this could also make the aid application process simpler for students and families. Please feel free to use the CSU as a resource in this regard.

That concludes my testimony. Thank you for the opportunity to present the views of the California State University on this legislation.

Chairman BOEHNER. Thank you, Dr. Reed.
Mr. Grayer?

STATEMENT OF MICHAEL GRAYER, RECENT GRADUATE, VIRGINIA COLLEGE, JACKSON, MISSISSIPPI, ON BEHALF OF THE CAREER COLLEGE ASSOCIATION

Mr. GRAYER. Mr. Boehner, Mr. Miller, and members of the Committee, it is an honor to be with you this morning. I am here to share my story of how I achieved the dream of a college education.

Before I begin, I would like to state for the record that I am only one of thousands of career college students who have overcome obstacles to achieve educational goals. In February, my achievements were recognized by the Career College Association as one of the seven recipients of the First Annual Graduate Recognition for Excellence, Achievement and Talent—or GREAT—Student Awards. My fellow winners and I exemplify what can be accomplished when determination, commitment, and discipline are combined with Federal student assistance programs.

It is a privilege to speak to you today on behalf of the Career College Association and the more than 1 million students educated by the for-profit education sector each year.

I was reared in a single-parent home in Jackson, Mississippi. In the eighth grade, I was enrolled in the Piney Woods School, a historically black boarding school in Mississippi. After failing the ninth grade, I did eventually graduate from high school, which, unfortunately, exhausted my mother's financial resources. However, making the adjustment back to my home was difficult because of the financial situation. I enrolled in a local community college, but

the experience ended after one semester due to financial concerns and lack of transportation.

Several months later, I landed a job at local cellular outlet and quickly climbed the ranks to management. Then came the horrific events of September 11th. Our company's business declined, leading to the loss of my job. I started selling cellular accessories to make money and eventually opened my own cellular outlet store. The expenses were high and the revenue was low and it also was not personally fulfilling so I decided to go back to school because I was wasting my time and my talent, and I needed to make a change.

While watching an ad 1 day about Virginia College in Jackson and the programs that they offered, and due to my prior experience, the business program which they had that focused in accounting caught my attention. I took a leap and enrolled in Virginia College.

Like many of my fellow Virginia College students, I received Federal financial aid, including Pell Grants and student loans. Without this support, I would have not have been able to graduate from Virginia College with a diploma in accounting. Federal student aid helps to ease the burden of many students in my situation when they are faced with where to go to college. I am blessed to have a family which is supportive of all my aspirations, including college, which helped ease some of that burden. Not every student is that lucky. However, at Virginia College, 80 percent of my fellow students are eligible for Pell Grants, 82 percent are independent, and 47 percent have dependents of their own. And more than half of the students have an expected family contribution of zero, meaning they are completely dependent on student aid to achieve their educational dreams.

Some current provisions of the Higher Education Act stand in the way of assisting students like myself from achieving all they are meant to achieve. The 90/10 rule, which requires for-profit institutions like Virginia College to prove 10 percent of their revenue comes from non-Federal aid, is one example. If a school enrolls too many of the poorest students, those students with a zero expected family contribution who could receive a full Pell Grant and the maximum student loans, that institution could be in violation of the 90/10 rule.

The separate definition of higher education institution currently applied to for-profit colleges has outlived its purposes. Students should not have access denied based on their choice of an authorized, accredited, eligible institution of higher education. I am an example of this. I was unable to succeed at a community college for a variety of reasons. Virginia College, however, offered the program and support I needed to graduate from college.

Federal Pell Grants helped me to go to college, but Pell Grants alone did not cover the cost of my tuition. To do this, I also took out Federal loans. Higher Pell Grant awards would help more students like me go to college, and enable many of them to do so with decreased loan burden. However, for those students who would not be eligible for an increased Pell Grant, higher student loan amounts will help them achieve their dreams.

Most of the students at Virginia College, including myself, attend year-round and complete more than one academic year of work in an award year and therefore are able to finish our education more quickly. If we could get more than one Pell Grant award in a single year, our loan burden would decrease. This would be as important for those of us in a diploma program as for those who are seeking a bachelor's degree.

I am an example of what a career college graduate can achieve with the help of student aid programs. Since graduating, I have been employed as a regional manager and the head auditor for a publicly traded insurance company, Security National Life. I am also the CFO of my stepfather's three Subways in Jackson, Mississippi, and I am the founding president of Trinity Financial Solutions, a tax-preparation and accounting service that currently employs 15 individuals, including another graduate of Virginia College.

In closing, I urge you to pass H.R. 4283, the College Access and Opportunity Act of 2004. And I will be happy to answer any questions you may have.

[The prepared statement of Mr. Grayer follows:]

Statement of Michael Grayer, Recent Graduate, Virginia College, Jackson, Mississippi

Mr. Chairman and members of the Committee, it is an honor to be with you this morning. I am here to share my story of how, as a child in a struggling single-parent home, I went on to achieve the dream of a college education.

Before I begin, I would like to state for the record that I am only one of the thousands of career college students who have overcome obstacles to achieve their educational goals. In February, my achievements were recognized by the Career College Association as one of seven recipients of the First Annual Graduate Recognition for Excellence, Achievement and Talent – or GREAT – Awards. My fellow winners, including a single mother and former housekeeper, a survivor of the September 11th Twin Tower terrorist attacks, and I exemplify what can be accomplished when determination, commitment and discipline are combined with federal student assistance programs. It is a privilege to speak with you today on behalf of the Career College Association and the more than one million students educated by their sector each year.

The Career College Association (CCA) is a voluntary membership organization of private, postsecondary schools, institutes, colleges and universities that comprise the for-profit sector of higher education. CCA's 1,200 members educate, prepare and support over one million students each year for employment in more than 200 occupational fields. These school and colleges graduate approximately one-half of the technically trained workers who enter the U.S. workforce each year and also provide for retraining for displaced workers and skills upgrading for a wide variety of public and private employers.

I, Michael A. Grayer, was born and raised by my mother and grandmother in Jackson, Mississippi. I began my elementary education attending both private and public schools. In the 8th grade I was enrolled in Piney Woods, a historically black boarding school in Mississippi, which unfortunately exhausted my mother's financial resources.

After deciding to teach my mother a lesson by failing the ninth grade, I did eventually graduate from high school. However, making the adjustment back to my home was difficult because money was tight. Later that summer, I enrolled in the local community college, but the experience ended after one semester due to financial concerns and lack of transportation.

Several months later, I landed a job at a local cellular outlet and quickly climbed the ranks to management. Then came the horrific events of September 11th and our company's revenues declined, eventually leading to the loss of my job.

I started selling cellular accessories in order to make money. Eventually, I opened my own cellular outlet store. The expenses were high and the revenue low and it was not personally fulfilling. Places were hiring but no one would hire me because I only had a high school diploma. I decided I was wasting my time and my talent and that I needed to make a change.

One day while watching television, I saw an ad for Virginia College at Jackson and the programs that they offered. They had a business program with a focus in accounting that caught my attention. I took the leap and enrolled in Virginia College.

Like many of my fellow Virginia College students, I received federal financial aid, including Pell grants and student loans, to help pay my college tuition. Without this support, I would not have been able to graduate from Virginia College with a diploma in Accounting. Federal student aid helps to ease the burden many students in my situation face when they decide to go to college. I am blessed to have a family that is supportive of all my aspirations, including college, which helped ease some of *my* burdens. Not every student is that lucky, however – at Virginia College, eighty percent of my fellow students are eligible for Pell grants, eighty-two percent are independent, and forty-seven percent have dependents of their own. And more than half of the students have an expected family contribution of zero – meaning they are completely dependent on federal student aid to achieve their educational dreams.

Some current provisions in the Higher Education Act stand in the way of assisting students like myself from achieving all they are meant to achieve. The 90/10 rule, which requires for-profit institutions like Virginia College to prove 10% of their revenue comes from non-federal aid, does not measure the quality of an institution. Instead, colleges are forced to move to areas where more affluent students will be attracted to them. If a school enrolls too many of the poorest students – those students with a zero expected family contribution who could receive a full Pell grant and the maximum student loans – that institution could be in violation of the 90/10 rule.

The separate definition of higher education institution currently applied to for-profit colleges has also outlived its purpose. The differences between for-profit and non-profit colleges have diminished. Students should not have access denied based on their choice of an authorized, accredited, eligible institution of higher education. I am an example of this – I was unable to succeed at a community college for a variety of reasons. Virginia College, however, offered the program and support I needed to graduate from college.

Federal Pell grants helped me go to college, but Pell grants alone did not cover the cost of my education. To do this, I also took out federal student loans. Notice I always say "my" education – that's because that is what it is – something I worked for and achieved. That is why I took out the student loans – to help me achieve and pay for my education. Higher Pell grant awards will help more students like me go to college, and enable many of them to do so with decreased loan burden. However, for those students who would not be eligible for an increased Pell grant, higher student loan limits will help them reach their dreams.

Most of my fellow students at Virginia College, including myself, attend year-round and complete more than one academic year of work in an award year, and are therefore able to finish their education more quickly. If they could get more than one Pell grant award in a single year, their loan burden would decrease. This would be as important for my fellow students in diploma programs as for those who are seeking a baccalaureate degree.

I am an example of what a career college graduate can achieve with the help of the student aid programs. Since graduating, I have been employed as a regional manager and the head auditor for a publicly traded insurance company - Security National Life Insurance Company. I am also the CFO of my stepfather's three Subway Sandwich franchises and the founding president of Trinity Financial Solutions, LLC, a tax-preparation and accounting firm that currently employs 15 individuals, including another graduate of Virginia College.

Mr. Chairman and respected members of the Committee, I urge you to pass H.R. 4283, the College Access & Opportunity Act of 2004. The provisions of this bill will allow thousands of students like me to achieve their educational dreams.

Chairman BOEHNER. I want to thank all of our witnesses for their testimony and their insight into the Higher Education Act and how we can improve access for America's students.

Mr. Boyle, what do you hear as the biggest concern from parents regarding access to higher education?

Mr. BOYLE. Anxiety and uncertainty about the process. I think even for families who are in need of financial aid, many families are not aware that financial aid options are available and not taking advantage of them. Guidance counselors are wonderful people but there are not enough of them. There is only one guidance counselor for every 491 high school students on average across the U.S.

so there is no way they can reach everyone. And then for those who have more resources, who may be college graduates themselves, a lot of scratching of their heads and saying that, "Gee, the process is so different now than it was when I went to college," and not understanding and not having a resource to turn to to guide them through the process is frustrating to them.

Chairman BOEHNER. Dr. Martin, you represent financial aid administrators, your organization gets those who jump through the hurdles and actually apply and you get to deal with them. But I think the point that Mr. Boyle makes is that sticker shock is driving a lot of students and their families away from even considering the possibility of trying to go to college.

Dr. MARTIN. I think, Mr. Chairman, unfortunately in the day that we live today with the media they love to play upon the most expensive, the highest cost institutions. And every time I see something about college costs, it always focuses upon that top 3 to 4 percent of institutions that are the most expensive in the country. And many families, unfortunately, who are not as sophisticated and maybe first generation believe that that is the cost for all colleges. And that is not the case. We have many fine institutions across this country, all the way from our community colleges, state colleges, universities, public and private, and along with financial resources that are available from local, Federal, state and institutional monies, that there is a way to help people to do that.

And part of it, I agree with Mr. Boyle, is simply having a campaign so that families and students understand clearly what is available and where to go to get straightforward information. And I think that would be more helpful than anything I can think of to try to raise awareness about post-secondary education.

Chairman BOEHNER. Ms. Wasserman, you said in your testimony that you were for those provisions in the bill that reduced origination fees and for the increase in loan limits. How would you propose paying for that, considering you don't want consolidation loans to go to a variable rate?

Ms. WASSERMAN. Well, I think two things. One is, to follow up on the questions you just asked, I think that there is some real sticker shock, because the cost is too high for a lot of institutions. While there is a varying level of cost to college, I do think the reality is for a lot of working families and a lot of first generation students the cost is too high. So when we are looking at this reauthorization, we are looking at it as an opportunity to really make steps to make college more affordable and more accessible.

And so for us the reduction in origination fees is important but keeping the fixed rate on consolidation, making sure that when someone is applying to school, they know that they are going to be able to attend school and graduate with manageable debt that they can then consolidate and pay manageable monthly payments on.

Chairman BOEHNER. Do you represent graduates as well?

Ms. WASSERMAN. This sort of attempt to separate the students applying from the student that graduates to me just doesn't make sense. The reality is it is the same person—

Chairman BOEHNER. Hello, hello.

Ms. WASSERMAN [continuing]. That is applying for school—

Chairman BOEHNER. We have Mr. Grayer right here, a graduate.

Ms. WASSERMAN. Right, a graduate, yes.

Chairman BOEHNER. A successful graduate. Mr. Grayer, were you able to pay your student loans?

Mr. GRAYER. Say it again, sir?

Chairman BOEHNER. Are you able to pay and afford your student loans?

Mr. GRAYER. I pay them, but they are not manageable.

Ms. WASSERMAN. They aren't manageable, and that is a great example of the reality; for a lot of us it is incredibly difficult to be paying our loan debt. And we have to make it more affordable for students to get through school and then make payments on that debt and be able to support our economy, to be buying a home, to be picking a career path that we want—

Chairman BOEHNER. Well, do you think that it is fair—let me ask you this question. Do you think it is fair that according to the GAO, if we continue the consolidation program at a fixed rate, it is going to cost $21 billion in additional taxpayer subsidies for graduates over the next 7 years, as opposed to taking that $21 billion and reducing origination fees and increasing loan limits to try to increase access for low to middle-income students?

Ms. WASSERMAN. Those small provisions, reducing origination fees from 3 percent to 1 percent, allowing flexibility in the loan limits, I think are important, but the reality is that we need to increase the Pell Grant. Real access isn't going—

Chairman BOEHNER. No, no, the question was do you think it is fair, because this is the real issue that we are going to get in. And for those of you that come to this Committee often, you know that I try to speak English. And the fact is that we have a budget-neutral environment that we are in and we are trying to find some way to increase access for low to moderate income students.

Now I know some of my colleges, and I have read your testimony, Ms. Wasserman, think that every day is Christmas and that I am Santa Claus.

Mr. MILLER. Nobody thinks you are Santa Claus.

Ms. WASSERMAN. No.

Chairman BOEHNER. Santa Claus is sitting next to me, I am sorry. The fact is that we have to make hard decisions here. And from a fairness standpoint it seems to me that asking graduates who may have received the Pell Grant, may have received a student loan, may have had their interest paid while they were in school, had a 6-month deferment of any payment after they graduated, and were then allowed to consolidate their loans in many cases, I think that we have done, we are doing an awful lot for those who have been through school. And I am trying to grapple with the issue of what is fair for graduates as opposed to incoming students, who may not have the financial ability to attend a college or university of their choice.

I have gone way over my time. Mr. Miller?

Ms. WASSERMAN. Well, Mr. Chairman?

Chairman BOEHNER. Yes, go ahead, go ahead.

Ms. WASSERMAN. Chairman Boehner, I think it is important to look at fairness, but I think it is also about priorities. And the reality is that with this reauthorization we are asking, the students are asking for higher education affordability to be prioritized. And

for that we need to not only retain the fixed rate on consolidation, but we need to do the other things I mentioned in my testimony, because we find money when we make priorities. We found money for tax cuts. We found money for other things in this Congress, and we need to make sure to find money for higher education.

Chairman BOEHNER. Mr. Miller?

Mr. MILLER. Thank you, Mr. Chairman. It is rather fascinating that when we get to education we are in a budget- neutral situation. We are not in a budget-neutral situation on the military budget, on the agriculture budget, on the public works budget, on the transportation budget. Nowhere else are we on a budget-neutral situation, except when it comes to education.

If we were in a budget-neutral situation, we wouldn't have a $500 billion deficit this year, next year, and the year after. So they have obviously decided that it is a higher priority to reach in, either to the tax cuts or to the deficit, for all of these other purposes. But it is not a high priority for the Republican leadership here for the education of America's young people.

So when we are told to pick and choose between students who have graduated and students who are in school, with all due respect to the same students, because when people make a decision about will I be able to borrow this money, pay it back, what is the life cycle cost of this, just like anybody in business would, of this loan, and will I be able to become a teacher or a nurse or a policeman or a lawyer or a doctor, all of these things go into that calculation. And you decide yes or no.

But you don't just all of a sudden because you have graduated in a situation where those are no longer a matter of concern. You borrow money over a period of time and you ask yourself, that is why we have disclosure forms, when you borrow money against your house, they say the total cost of this loan is $1,800,000 and you go, "Jeez, I didn't know this house was worth that much."

No, that is the cost of the loan. When you buy your car, they tell you what the cost of the loan is. And people say, "Oh, I don't want to pay that much, maybe we ought to be looking at something else."

And so the problem with this legislation is we sort of have a half of a higher education bill. We ought to put everything on the table. I don't know, maybe the students will think that the 6-month deferment isn't worth as much as the consolidated fixed rate and then make some tradeoffs. We keep picking sort of low-hanging food or what is politically doable here, as opposed to constructing a program that now is in the middle of a dramatically escalating cost of higher education to students.

This bill doesn't meet that test in terms of doing that. You have done some good things in this legislation, but we have also left out the consideration of a whole range of issues and topics. And when a student has to think this process is going to cost me another $5,000, I think it is a difference in considerations. So that is that.

I want to hear your points on the Pell Grants. I didn't understand, Mr. Boyle, you didn't address the Pell Grant in your oral testimony. Can you tell me where your association is? Are you for the cap that is in this bill between now and 2011 on Pell Grants?

Mr. BOYLE. I addressed the year-round Pell Grant.

Mr. MILLER. I know, but are you for the cap?

Mr. BOYLE. I would like to see Pell Grants higher in the ideal world, but I think that the basic reality is—

Mr. MILLER. Do you support the cap, what is it?

Mr. BOYLE. I would like to see it higher.

Mr. MILLER. So you don't support the cap?

Mr. BOYLE. No.

Mr. MILLER. OK. Dr. Martin?

Dr. MARTIN. I would like to see the $5,800 and say, "Such sums thereafter" if we have to do it that way.

Mr. MILLER. So you would not support the cap?

Dr. MARTIN. I would like to see the flexibility go up when we have the funds to do it. Grants are the most important thing. That is our highest priority has been grants.

Mr. MILLER. Ms. Wasserman?

Ms. WASSERMAN. I don't support the caps.

Mr. MILLER. Dr. Reed, Chancellor Reed?

Dr. REED. I testified that the Pell program was the most important program to the California State University students. I would like to see it increased.

Mr. MILLER. Again, we are in this configuration. Somehow we can't help those students who need it the most in this calculation. And I just think that those of us on this Committee really have got to put together a comprehensive bill. To put a cap on the Pell at this point when we think we are looking at continuing escalation of these costs is just to tell a lot of students at the bottom they are not going to be able to make it in this situation.

We are starting to see some of this in the California system already, are we not?

Dr. REED. We are. We are trying to hold our costs down as much as we can. We entered into an agreement yesterday with the Governor that, one, that our increase in fees would be tied to personal income increases in California, although there was an emergency provision except when the state's budget goes down. But then that was even capped at 10 percent.

So there is tremendous sensitivity to what you are saying, Congressman Miller. And, as I said, the Pell is the single most important—116,000 of our students are Pell students in the CSU.

Chairman BOEHNER. Will the gentleman yield?

Mr. MILLER. Yes.

Chairman BOEHNER. Not all of us are for increasing the Pell. Now we have a dual process in here for those who aren't aware that we authorize and then we appropriate. The current authorization, maximum authorization for Pell is $5,800. We are at $4,050 as the maximum award that is appropriated. Now for every $100 increase in the maximum award, the cost to the Treasury is $400 million. And as this wave of students continues to approach, that number is going to be a half a billion dollars for every $100 increase.

Now one of the things that you have all heard me say as members of the Committee is that I am not for some silly authorization level that is not realistic. I think it is duplicity. I think what we ought to do is to try to have the authorization numbers and the appropriation numbers as close as possible so that people aren't misled into thinking that we are going to do something—

Mr. MILLER. Oh, we will never be misled again after the other bill.

Chairman BOEHNER. Turn your microphone on.

Mr. MILLER. We will never be misled again after No Child Left Behind. Don't worry about that.

Chairman BOEHNER. Georgie.

Mr. MILLER. Well, we won't. We now know that it doesn't work that way. But reclaiming my time, this Committee ought to be saying to the appropriators, to the Congress, and to the nation, this is what an education policy should be if you are going to take care of the wave of students, the students of little income who are fully qualified to go to college so that they can participate, this is what we should be doing. That is why we are called the policy Committee.

If the appropriators don't want do this, I guess they won't do it. If the administration, this administration, other administrations, past administrations don't want to do it, obviously they won't do it. But we ought to be setting forth in law the means by which you can achieve an education policy that addresses the full spectrum of American students and families that are looking for this opportunity.

As I said, I think you have done good things in this bill. I don't want this to become a partisan fight. I think this bill is terribly important. But I don't think that we have in a comprehensive fashion addressed all of the possibilities where we can reapportion some of these costs in a more fair fashion. That is all I am trying to say.

And I don't say that as throwing down the gauntlet or any of the rest of this. I think that we have got to work our way through it, but we have got to recognize that this landscape has changed dramatically. A lot of it, we are struggling to figure out how we can get the states to belly up to the bar here with a little bit more responsibility and participation.

So this isn't meant as a broadside. It is just I think you see some glaring problems here that are going to be huge, and certainly in the Pell Grant area. We have got do deal with this now. We have got to deal with it this fiscal year. I just don't think this bill meets that test, Mr. Chairman, and it is not because it hasn't been a good faith effort and it is not because people haven't worked hard. I just don't think we are there yet.

Chairman BOEHNER. Well, I would just suggest to my colleague and my friend that this is the first hearing on the first proposal. This is the beginning of what will be a very long process.

Mr. MILLER. Mr. Chairman, let me say this for the record. This is a rather unusual experience in the Congress of late where we actually have a bill that is in writing and then we have people come in and publicly comment on it, and I want to thank you for that, because I think that is the way we will end up. All of these witnesses have varying views on different subject matters. That is the manner at which we will arrive at a bill where people have a chance to pull it apart, look at it, and then hopefully, we can come back together and take this advice.

And I would also like to ask unanimous consent to insert in the record some statements by the president of my alma mater, Dr.

Corrigan, and the National Consumer Law Center, if I might, who also are testifying to this particular bill.

Chairman BOEHNER. Without objection, so ordered.

[The information referred to follows:]

Statement of Dr. Robert A. Corrigan, President, San Francisco State University, Submitted for the Record

Chairman Boehner, Ranking Member Miller, and distinguished members of the committee, I am submitting written comments for the record concerning H.R. 4283, the" College Access and Opportunity Act of 2004".

I am the president of San Francisco State University, a 28,000-student public, urban university located in the city of San Francisco. We award undergraduate degrees , master's degrees and offer several joint doctoral programs with other institutions. Minority students comprise nearly 70% of our student population.

Our university is a part of the 23-campus California State University (CSU) system, the largest university system in the country, currently serving more than 400,000 students.

I am aware that the Chancellor of the CSU system, Charles Reed is testifying on this legislation, so I will focus most of my comments on areas of particular interest to SFSU.

Pell Grants

First let me say a word about the federal commitment to student aid overall. Given the ever-increasing level of debt that our students must incur, I believe it is critical for the federal government to do as much as it can to ensure access to grants for low-income students.

San Francisco State University, like the CSU system itself, sees its mission as providing a high-quality, broadly accessible education to the students of our diverse state. A key element of accessibility is affordability, and so, as a part of this mission, the campuses of the California State University have made a commitment to keep student fees as low as is consistent with quality.

Even with low fees, financial aid remains a critical component of our ability to serve a diverse student population. Financial barriers continue to be very real obstacles to a college education for many of our students despite federal, state and institutional aid. The extraordinarily high cost of living in the Bay Area and other large California cities is one component of the increased cost of attendance. But transportation, childcare, and housing are issues statewide. Even with some of the lowest student fees in the nation, the California State University has tens, even hundreds of thousands of students dependent to some extent on financial aid.

At SFSU, almost half of our students receive financial assistance. Despite low fees, the amount of unmet need--that is, expenses students face even after financial aid is factored into the equation -- amounts to almost $30 million per year. Our average financial aid award is $8,941, even though our fees are just over $2,500. The actual cost of attendance, including housing, books, transportation and other living costs, is approximately $12,000. The gap is money that students must still find. They will do so by borrowing more money than we would like from private loan programs, by working longer hours than they should, by enrolling part-time rather than full-time, by taking entire semesters off and stretching out the time it takes to get their degree, or by maxing out credit cards. None of these are desirable choices, but I am sad to tell you that some of our students must make them every day.

I present these figures to highlight the need for the federal government to continue increasing financial aid and investments in other higher education programs. I urge the committee to amend this legislation and increase the Pell Grant maximum award levels, increase funding for SEOG, and increase the authorization level for Work Study. I would also urge the committee to make loans more affordable and flexible for students by continuing allow them to lock in low fixed consolidation rates. These commitments are truly essential for ensuring college access for disadvantaged students.

I appreciate the committee's efforts to provide additional Pell Grant funds to students for year-round study. However, a large number of our Pell Grant recipients are non-traditional students who do not attend college full time and are not able to graduate in four, or even five, years. As written in this bill, the requirement that in order to participate in year-round Pell, an institution must have a 30 percent graduation rate for four years will not work for institutions that serve large populations of non-traditional students who would benefit most from the flexibility provided. For SFSU students, it would be more beneficial to permit utilization of Pell Grants for students who enroll for summer study in order to complete their remaining degree requirements – even if they don't need to enroll full-time - rather than having them enroll for an entire term in the subsequent academic year. Such a provision should be open to students at any Title IV eligible institution, and I urge you to add such a provision to the bill.

Community Service
San Francisco State is committed to a culture of community service and service learning, with nearly 20 percent of our Federal Work-Study funds being used for community service activities. I would like thank the committee for making the change to allow on-campus child care work as an
allowable community service activity, and would like to suggest several additional changes for improving this important part of the Federal Work-Study Program.

First, **create additional financial incentives for colleges that surpass the 7% mandated level for community service.** It is vital for colleges to have some financial support for the coordination and management of a high-quality program. Incentives might include additional funds for administration, staff, program innovations or support for community partners.

Second, **waive the current federal work-study matching requirement for all community service positions.** In addition to the current waiver for literacy programs, I would suggest extending the waiver to include all community service work-study positions that meet certain criteria for appropriate and meaningful work in the community. While this does not increase the amount of federal work-study funds received by institutions, it decreases reporting and payment burdens and increases the attention on these positions..

Finally, **create a separate administrative allowance for community service work-study.** There are unique and time-consuming challenges associated with administration of a community service work-study program. In addition to the current administrative allowance for all federal work-study programs, a separate allowance could be created specifically for administration of community service programs. This will bring heightened awareness to the need for administration that goes above and beyond standard work-study management, such as development of off-campus positions, transportation, orientation, supervision and evaluation.

FWS Earnings from Summer Period of Non-Enrollment
San Francisco State University and other institutions have been innovative in offering Federal Work-Study community service positions that are meaningful and make a difference in communities. A number of highly successful programs that employ students in community service positions have year-round operations. However, the requirement that FWS earnings from a summer period of non-enrollment be used as a resource in the upcoming school year particularly impacts students who have to support themselves in the summer and who might want to do so by working in those programs, and discourages them from taking community service positions in programs such as Jumpstart.

Child Care Access Means Parents in School (CCAMPIS)

The Child Care Access Means Parents in School program has been a great success at San Francisco State University. More than 150 of our low-income students have been able to receive high quality child-care on campus through this program. Otherwise, without this program they would not be able to complete their education.

Unfortunately, this program is greatly underfunded and cannot come close to meeting the demand of more than 4,000 schools that are eligible for funding. Currently, only 430 schools receive grants in 44 states. Just a few changes to this program will make a big difference and I ask the committee to consider three recommendations:

1. **Raise the minimum grant to $30,000 (or more).** The present minimum is just $10,000. For many institutions of higher education, this is not worth the effort to complete a full federal application. Grants offices on large campuses often pass over small grants in favor of those that are more cost effective.

2. **Change the definition of low income to include "a student who is *income* eligible to receive a Federal Pell Grant."** The present language defines low-income student as a student "eligible to receive a Federal Pell Grant." Rather than do the paperwork, most colleges choose to serve only those students *receiving* Pell. But numerous low-income students do not receive Pell and some do not apply. And even the lowest income graduate students are ineligible. Adding the word "income," before "eligible," in the CCAMPIS language will provide child care to a greater number of deserving low-income students and encourage more institutions of higher education to apply for CCAMPIS.

3. **Authorize $75 Million for the CCAMPIS Program.** Even with minimal publicity and a cumbersome application process, every CCAMPIS dollar that has been appropriated has been awarded. $75 million represents less than 7.3 tenths of 1% of the $10.3 billion Pell Grant appropriation for FY 2002-2003. At a modest grant of $70,000 per center, $75 million would

be sufficient to fund about one quarter of the over 4,000 colleges and universities eligible to apply.

Loan Forgiveness
I would like to commend the committee for increasing the amount of loan forgiveness available to math, science, special education, and reading teachers in this legislation. I would also like to suggest expanding the provision to address the severe nursing shortage we now face in California by allowing similar mandatory loan forgiveness for nurses serving in shortage areas.

In closing, I would like to voice my concern with several other provisions of this bill that I hope you will reconsider including the single definition provision, repeal of the 90/10 rule and changes to the repayment provisions in the direct lending program that may restrict student choice.

Members of the committee, I thank you for taking the time to consider my testimony.

Statement of the National Consumer Law Center, the Center for Law and Social Policy, and The Workforce Alliance, Submitted for the Record

Written Testimony

U.S. House of Representatives Committee on Education and the Workforce
Hearing on the College Access and Opportunity Act

May 12, 2004

Thank you for the opportunity to submit this testimony on H.R. 4283, the *College Access and Opportunity Act*. The Center for Law and Social Policy (CLASP), The Workforce Alliance (TWA) and the National Consumer Law Center (NCLC), on behalf of its clients, have proposed a number of key changes to help modernize the Higher Education Act (HEA) to support economic development and better meet the needs of business and workers. These proposals are summarized in the attached document.

Our written testimony today focuses primarily on the importance of preserving key provisions that protect borrowers from fraud and abuse. We hope to have the opportunity in the future to comment in more detail on other aspects of the proposed legislation, in particular student loan repayment and issues related to services and grant aid that increase enrollment and persistence by working adults and older youth.

For now, we commend provisions in H.R. 4283 that remove barriers to postsecondary education for non-traditional students, such as allowing year-round Pell Grants, simplifying access to financial aid for those who have already documented financial need for other federal means-tested programs, decreasing origination fees, and ending the unfair distribution of campus-based funds by changing the allocation so that funds follow the neediest students.

But we cannot support provisions that open the door to fraud and abuse in the name of increasing access for non-traditional students, as we detail below. Instead, we encourage you to consider the following ways to increase enrollment and persistence by working adults and older youth through services and grant aid that help them better balance school, work, and family. These include:

- Reducing the "work penalty" so that single, independent students and students with dependents keep a greater share of their earnings. Exclude the Earned Income Tax Credit from the need analysis;
- Strengthening ties between colleges and business workforce needs;
- Streamlining access to financial aid for dislocated workers; and
- Expanding on-campus services that support success for working adults and older youth, including Federal Supplemental Educational Opportunity Grants and Student Support Services.

Borrowers Must Be Protected From Fraud and Abuse

During reauthorization of HEA, Congress has the opportunity to make higher education more accessible for non-traditional students, including many working adults and older youth. We urge you to seize this opportunity, but with caution. Innovations and reforms must be balanced against the danger of repeating past abuses.

Congressional hearings during the 1990s documented extensive abuses, primarily by proprietary schools participating in federal student loan and grant programs.[1] Congress and the Department of Education eventually addressed these abuses, passing targeted protections to assist victims and prevent future problems. The good news is that many of these laws were aggressively enforced and helped curb fraud and abuse. The bad news is that serious problems still exist.

As recently as 2003, the Department of Education's Office of Inspector General (OIG) made public seven audits documenting serious fraud and abuse in school administration of federal student aid programs. The Department recommended that those schools cumulatively return over $15 million to the Department, lenders and students. Also in 2003, the Department's Office of Hearings and Appeals, in 10 separate decisions, ordered schools to return over $3.3 million. And these are just the schools that the Department investigated.[2]

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[1] See, e.g., "Abuses in Federal Student Grant Programs, Proprietary School Abuses", Hearing before the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, U.S. Senate, 104th Cong. 1st sess., July 12, 1995.
[2] These numbers are based on a review of the audits and hearing decisions related to "Federal Student Aid" that were posted on the

Problems cited included:

- Schools closing without warning;
- Routine fabrication of financial aid documents;
- Falsification of ability-to-benefit test results;
- Widespread failure to comply with the 90/10 rule;
- Overstating program length; and
- Disbursing funds to ineligible students.

In addition, in an August 2002 audit, the OIG found that the Department did not have an effective monitoring system in place to ensure that approved ability-to-benefit test publishers comply with applicable laws.

The *Chronicle of Higher Education* documents further problems in a recent article.[3] The article describes numerous federal and state investigations of abuse within the for-profit college sector. Among other issues, according to the article, the California attorney general is examining whether for-profit colleges are misrepresenting the value of their programs and graduates' job prospects.

These problems are not confined to the federal loan programs. Especially in the last few years, serious problems have emerged in the private student-lending sector. For example, a 2003 survey by the National Association of State Administrators and Supervisors of Private Schools showed that in 2002 over 100 computer training schools closed in the 23 states that responded to the survey. Of those schools, only 25 provided any advance notice of the closing.[4]

Key Protections

We limit our comments today to two key protections that would be eliminated by H.R. 4283. The first is the 90/10 rule, which requires that proprietary institutions derive no more than 90 percent of their revenues from HEA program funds. The primary rationale for the rule, as confirmed by a GAO study, is that schools that rely more heavily on student assistance tend to have poorer student outcomes, including lower completion and placement rates and higher default rates.[5] The rule does not prohibit students from receiving full financial aid to attend school. It simply requires a school to derive at least 10 percent of its revenues from other sources.

In recent years, investors have flocked to purchase education-industry stocks. The industry is, for the most part, prospering like never before. According to the *Chronicle of Higher Education*, the eight largest education companies now have a combined market value of more than $36 billion.[6] The simple logic of the 90/10 rule is that these prospering private-sector businesses should be able to attract a small, reasonable percentage of their revenues from sources other than public HEA funds.

A second critical set of protections that would be eliminated are the so-called 50 percent rules. These rules prohibit schools from providing half or more of their students' coursework through correspondence or telecommunications classes or having half or more of their students enrolled in such classes.

We support the idea of allowing more students to access distance education courses. Distance education can provide important benefits for students, particularly "non-traditional" students who work outside of school. The problem is that this bill proposes to open up the system without any safeguards. Potential abuse could be unacceptably high.

We urge Congress to proceed with caution. Presently, the distance education pilot project, administered by the Department of Education, allows many schools relief from the 50 percent rules and other requirements. This project should be expanded and monitored closely. In the meantime, essential questions must be asked and answered. For example, how is the quality of distance education measured? Are all courses appropriate for distance education? What about hands-on training such as auto mechanics or cosmetology? How can we be sure that students that enroll in distance education have the proper technology at home so that they can benefit from the courses?

Past fraud and abuse in the proprietary sector caused immeasurable harm. Students trying to achieve their dreams too often ended up with nothing but mountains of debt. The door to this type of fraud cannot be reopened. At the same time, fear of fraud alone is not a reason to inhibit innovation and progress. Instead of the wholesale elimination of these protections, we recommend that Congress immediately undertake a non-partisan study of current fraud and abuse in federal financial aid programs and of the effectiveness of the various protections, including the 90/10 rule, the 50 percent rule, default rate sanctions, incentive compensation rules, and minimum instructional time and completion and job placement requirements. In the meantime, it is critical to preserve those protections that have been effective in curbing fraud and abuse and

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Department's website. In many cases, the schools did not agree with the audit results.

[3] Goldie Blumenstyk, "For-Profit Colleges Face New Scrutiny", The Chronicle of Higher Education, May 14, 2004.

[4] As of May 2004, the study was available on-line at: http://www.nasasps.com/Computer-Survey-NASASPS-4-22-03.pdf.

[5] See General Accounting Office, "Proprietary Schools: Poorer Student Outcomes at Schools that Rely More on Federal Student

restore to full strength those protections, such as default rate sanctions and incentive compensation rules, that have been weakened over the years.

Disability Cancellation

As we stated at the outset of this testimony, we would like to have the opportunity to comment in the near future about other key aspects of this legislation, particularly student loan repayment and various grant aid issues. In closing, however, we want to note one other provision that, although well-intended, will not achieve its desired result.

The bill amends the disability cancellation determination process so that borrowers who have been found disabled by the Social Security Administration (SSA) or Veterans Administration (VA) may submit documentation of these determinations to qualify for a student loan disability cancellation. We support the intent of this provision, but the provision as drafted would only allow borrowers who have been found to be "permanently and totally disabled" by these other federal agencies to submit documentation to the Department of Education. This will not be effective because the SSA and VA utilize a tiered system when making disability determinations. They do not use the same terminology as the Department of Education.

The bill should be amended so that borrowers may submit evidence of any type of disability determination by the SSA or VA to qualify for a student loan disability cancellation. Qualified borrowers will then be monitored by the Department of Education during the three year conditional cancellation period. If drafted effectively, this provision will streamline the disability determination process, save money, and more efficiently allow qualified borrowers to cancel their loans.

Testimony prepared by Deanne Loonin of the National Consumer Law Center, Amy-Ellen Duke and Julie Strawn of the Center for Law and Social Policy, and Jason Walsh of The Workforce Alliance.

The National Consumer Law Center (NCLC) is a nonprofit organization specializing in consumer issues on behalf of low-income people. NCLC works with thousands of legal services, government, and private attorneys, as well as community groups and organizations nationwide that represent low-income and elderly individuals on consumer issues.

The Center for Law and Social Policy (CLASP) is a national, nonprofit organization founded in 1968. CLASP conducts research, policy analysis, technical assistance, and advocacy on issues related to the economic security of low-income families with children.

The Workforce Alliance (TWA) was founded in 2000 to bring experts from the field into Washington debates about federal welfare, workforce development, and higher education policies. TWA is a national coalition of local leaders advocating for federal policies that invest in the skills of America's workers--including those who are low-income, unemployed, or seeking advancement--so they can better support their families and help American businesses better compete within today's economy.

Mr. MILLER. Thank you.

Chairman BOEHNER. The Chair recognizes Mr. Petri.

Mr. PETRI. Thank you very much, Mr. Chairman. As we struggle to find the resources to meet our obligations to help provide access to education for students, I wonder if I could ask the panel members to turn their attention for a minute to the Direct and Guaranteed Student Loan Programs. About a third of the loans are direct and two-thirds are guaranteed student loan programs. The General Accounting Office has reported that in a number of years, the Direct Loan Program has netted money, not cost money to the Treasury. The Office of Management and Budget said of the Direct Loan Program recently, "Significantly lower direct loan subsidy rates call into question the cost-effectiveness of the guaranteed program structure, including appropriate level of lender subsidies."

And on May 3rd, the Wall Street Journal reported that next year the Direct Loan Program will, according to its analysts' estimates, make $500 million for the Treasury and the Guaranteed Program will cost $7 billion to the Treasury. Now if that is anywhere near true, we have an opportunity to come up with some money to meet

some obligations in both the loan and other areas. Would any of you care to comment on the implications of those figures?

Dr. MARTIN. Mr. Petri, I am not an economist, but I have read different reports that have been done throughout the years about the differences between the Direct Loan Program and the FFEL Program and which is more costly and which saves the government money and so on. I don't have a firm answer to that because I have read too many different things depending on the spin that has been put on those particular reports, and I am not smart enough to be able to break that down. I think it is a good question that you ask.

I do think as an association we strongly support maintaining both programs for choice. I also think that the bill that is before us now that looks us and recaptures some of what many of us believe are some excessive earnings out there in the programs is a step in the right direction. I know that my colleagues in the lending community probably aren't happy with that provision, but I think it is reasonable and fair to ensure that those dollars are coming back in so that we can continue to support need-based student financial assistance.

Dr. REED. I cannot speak for those government figures. I can share with you, though, that in a 23-university campus, 23 campuses, we support keeping both programs. Eleven of our 23 universities are in the Direct Lending and 12 are in the guarantee. What we have seen is better services to students because we do have both, and we think that competition has made both programs better. Therefore we would support both.

Mr. PETRI. In that connection, the President's budget indicated that it costs taxpayers approximately 69 cents to lend $100 through the direct program and $10.51 to lend $100 to a student under the guaranteed loan program. Do you think that competition makes sense if you could get the $10?

Dr. REED. I don't know that those are the correct figures. I know you are quoting something.

Mr. PETRI. It is just our President.

Dr. REED. But I can tell you that both programs work. Both programs work very well. If there are greater efficiencies, we should really strive to get those so that we can put those funds back into students' hands so that they can be the beneficiaries of that.

Ms. WASSERMAN. Congressman, I think that that is an important question and I don't have necessarily a better answer to that specific question, but I do think that as we ask those questions we need to ask why—we support Direct Lending, we think it is a really important program—why is it being attacked in states like New York and Oregon and California where you see Direct Lending Programs under attack?

So I think we should be looking at how we can at least support the Direct Lending Program as we figure out where those monies are going and how to support both, possibly.

Mr. MCKEON [presiding]. Thank you. Mr. Kildee?

Mr. KILDEE. Thank you, Mr. Chairman. First of all, I would like to acknowledge the students who are in the back of the room for being here today. I know some of you have come at some expense to your academic needs and your other needs. I really appreciate it. Your presence itself today provides great testimony to this Com-

mittee. So we deeply appreciate you being here. Your presence is effective, let me tell you. You are really the customers of education and we should be focusing on you. That is our primary responsibility so thank you again.

Mr. Boehner has said that the cost of keeping the fixed rate rather than changing it to a variable rate would cost $21 billion over 5 years, emphasizing that we should be budget-neutral. One of the reasons that I guess we have to be budget-neutral is that this administration and Congress, not with my vote, gave up $2 trillion of revenue over the next 10 years, $2 trillion. That is $2,000 billion.

We are talking about $21 billion. Now you can't separate your votes on taxes and your votes on authorizations and appropriations. I voted against those $2 trillion in tax cuts because I knew it would get ourselves in these types of situations where we now have to short change students.

Now I didn't go get a lot of applause back home when I voted against $2 trillion in tax cuts, but I think it was the right thing to do. I think our future is students. So the $21 billion, if that is the right figure which Mr. Boehner is using, is a small part of $2,000 billion, which we gave up in revenue. We could certainly use some of that revenue to fund these programs.

So always bear in mind that how a person votes on taxation is just as important as how the person votes on authorizations and appropriations. You can't separate the two.

Ms. Wasserman, thank you very much for being here. This bill sets the maximum Pell Grant at $5,800 and freezes it there for the next 6 years. That figure, $5,800, Mr. McKeon and I put in place for this year and the reauthorization in 1998.

That was a very pleasant reauthorization in 1998. President Clinton used that authorization room, to raise the maximum Pell Grant from about $2,300 to $3,750. That is what it was when he left office. President Bush has raised it during his last 3 years 50 bucks, 50 bucks. That is almost an insult, 50 bucks, where President Clinton raised it from $2,300 to $3,750. We gave him room, and I think we need more room. We set policy, as the ranking Democrat of this Committee said, we set policy here. We look at the needs and then the appropriation Committee can say how much money we have left and how should we set our priorities.

But can you expand upon the need to raise the maximum Pell Grant and the effects it could have over the next 6 years for students?

Ms. WASSERMAN. I think it is critical when we look at this reauthorization, students really do look at it as an opportunity, an opportunity to create real access. We all, I think when we went down the line, said the Pell Grant is one of the most important ways that we are going to create access. For this reauthorization to keep the maximum at the same level that it was set back in 1998 is ignoring all the realities we know to be true. We have more students going to school, more of them are low-income, tuition is rising, and we are going to be shutting doors to people from going to school if we don't at least increase the maximum and create room for the Pell Grant in the appropriations process to get the full funding that it needs.

Mr. KILDEE. I think we asked all four witnesses, but didn't get down to Mr. Grayer yet on raising the Pell Grant. Would you also agree that the Pell Grant cap should be raised?

Mr. GRAYER. Say that again?

Mr. KILDEE. Would you also agree with the other four witnesses that the Pell Grant cap should be raised?

Mr. GRAYER. Yes, I think it should be raised.

Mr. KILDEE. Thank you.

Mr. GRAYER. But I would also like to state that earlier I misunderstood the question, I do not have a problem paying my debts.

Mr. BOYLE. May I add something on the Pell Grant?

Mr. KILDEE. Yes, sure.

Mr. BOYLE. I think it is important for families to recognize of course that the Pell Grant is a foundation grant for financial aid awards. And so the people that are receiving Pell Grants, when they receive their financial aid award, they are receiving institution-based aid and institutions have stepped up to the plate over the last 10 years and provided additional funds in order to make college costs more reasonable for families.

And so if the focus is only on Pell Grants and the fact that they are stuck at a certain level, I think that that can help to create a misperception by the public that that is the only source of availability of financial aid. There are many sources of availability of financial aid.

Mr. KILDEE. But the Pell Grant is a basic fundamental help for those students so they will not be burdened with loan debt.

Ms. WASSERMAN. Sadly, I think to respond to Mr. Boyle, instead of a focus only on the Pell Grant, what we are seeing is no focus on the Pell Grant, right? Because we are not increasing the maximum authorization at all.

Dr. MARTIN. Mr. Kildee, could I also speak to this issue? Because I understand, as someone that has watched this program since its inception, I realize that we have always had a higher maximum than what we have ever funded. And I understand Mr. Boehner's concern about having a mark out there that is unrealistic and gives false expectations. But I also think it is important that we have to recognize that this is a foundation program. And I do agree that we have shifted dramatically in this country over the last 20 years from reliance upon grants to student loans. And maybe that is the reality of what we have to deal with.

But I would say to the Committee, and regardless of where we set the maximum and so on, and I have my own views on that, but let me suggest another policy decision that was a part of our recommendation that I think also addresses and goes to what the issue is with Pell Grants. Pell Grants is the foundation program for the neediest students in this country. And one of the recommendations that we had was is that at least fund the negative EFC.

So if you have a student that their expected family contribution is in the negative, and we currently calculated down to $750, that student should be entitled to that difference on that negative amount. So if they had a negative EFC of $500, that means that that student in two semesters would get an additional $250 the first semester and $250 the other. That ensures that those limited

increases are going to the neediest students that are enrolled in our post-secondary educational institutions.

Mr. KILDEE. Thank you.

Mr. MCKEON. Let me just real quickly ask you each a real quick question. Would you all like a Cadillac? Mr. Boyle?

Mr. BOYLE. No.

Mr. MCKEON. What would you like?

Mr. BOYLE. I would like a very nice Chrysler car.

Mr. MCKEON. OK, we will give that to you.

Dr. MARTIN. Whatever gets me to where I am going.

Mr. MCKEON. Would you like one?

Ms. WASSERMAN. Accessible education.

Dr. REED. A Ford.

Mr. GRAYER. A Cadillac.

Mr. MCKEON. One very honest guy, thank you very much. I think we are all talking the same way. We all would like to have a whole lot of things. In fact, I guess if the human persona, if we ever get to the point where we have everything we want, then what are we here for then? What is our goal? What pushes us for more?

We had a study done by the Student Financial Aid Commission and they showed that over the last 20 years the cost of education has been going up at four times the rate of people's ability to pay for it. And that means that by the end of this decade, 2 million students that we would like to provide education for are not going to be able to get that. So what we are trying to do, it would be nice to have unlimited funds, we do not have unlimited funds. And the Chairman that sits in this chair I think tried to address that situation very well. We are given a budget, we have a number that we can work with. And then we try to say if given that budget, where do we want to put our emphasis? And when the Higher Education Act was passed in 1965 the purpose was to provide access to as many people as possible. And that is what we are trying to do.

So we are trying to put our resources on the front end rather than the back.

Now there has been some things said about Pell Grants. You can do a lot of things with numbers. And that philosophy of trying to help more people have access, yes, the maximum has been $5,800. It has not changed for the last few years. But we have been able to give over a million kids more a Pell Grant.

So you have got two things. You can increase the maximum and pay more to some students or you can keep the maximum the same and give more aid to more students. But it has gone up almost in the time I have been Chairman from $6 billion to $13 billion. That is the number. The money is there and it is helping more students.

Chancellor?

Dr. REED. Mr. Chairman, may I just say this. You have a most difficult job, and I want to recognize that, because you are trying to balance politics, reality, budgets, deficits, taxes.

Mr. MCKEON. And a war.

Dr. REED. And a war. OK, I don't want to go there.

Mr. MCKEON. Except that it was talked about—

Dr. REED. But that is a part of your reality, OK.

Mr. MCKEON. Right.

Dr. REED. Now what I want to say for America and America's public policy, I am very concerned, as a person that has spent about 30 years in higher education and in politics, about what is happening in America. What I see is if you are middle class or better, economically a little better off, and frankly not very smart, your chances of getting a college education are very good. If you are real bright and economically not very well off, you have an 80 percent chance of not getting a college education, because you can't afford it. And there are more and more haves and have nots in this country. And so what your public policy debate really is is how do you balance this?

Now, I don't know. Maybe what the authorization ought to do is to continue knowing that you are not going to fully fund Pell at any time, but you ought to set the bar so that it continues to move, so that there is this obligation, hope, that you can do that. And then, as this country can afford it, you fund what you can for the largest number of the most needy students, because they are the ones that need access in this country.

Mr. MCKEON. We have a markup going down at the other end of the building in the Armed Services Committee, which I also serve on, and in that Committee we are very careful to authorize what we think will be appropriated. We work very carefully. Here it has had a history of not doing that at all. I am sure at the end of the day we will probably be doing what you suggest. My time is out and the Chairman has returned, and I will give him back the chair.

Before I do that, could I just make one quick little—for Ms. Wasserman, you made a comment about we are giving up our freedom of speech. I would like you to look at the bill and read pages 19 and 20 and if you can, for the record, find anything in there that takes anything of freedom of speech, would you please insert that in the record, give me an answer in writing?

Ms. WASSERMAN. You want an answer in writing?

[Answer not received.]

Ms. WASSERMAN. I can talk a little bit about it now. I think that the concern is that it creates this Federal oversight of our classrooms and our activities, both official and unofficial, and will restrict our ability—I have read the bill, and I think that it will restrict the options and things such as funding, who we are bringing to speak on our campuses. I think the oversight on this is very problematic. We are looking at the Federalization of higher education on our campuses.

Chairman BOEHNER. We have a series of votes on the floor. We are going to take questions from Ms. McCarthy, who is next on our list on the other side. And at the conclusion of her questioning, we will recess the Committee until approximately 1:15 for the series of votes that we have on the floor.

The Chair recognizes the gentlelady from New York for 5 minutes.

Mrs. MCCARTHY. Thank you, Mr. Chairman. I am hoping that as we go through this hearing and work together, that we will be able to accommodate an awful lot of the issues that have been brought up today. I also want to say hello to Mr. Goodling. It is good seeing you in the audience.

Chancellor Reed, I read your whole testimony, and with all the things that you were saying today, your recommending addressing the severe nursing strategy, my background is a nurse, so we have always had this shortage, but now it is at a crisis level we now face. By allowing mandatory loan forgiveness for nurses serving in the shortage areas, Mr. chancellor, I am going to be introducing a bill next week, H.R. 934, Teacher and Nurse Support Act, that encourages individuals to enter and continue in the teaching and nursing professions by amending the Higher Education Act to provide loan forgiveness and loan cancellations to teachers and nurses. To be eligible, the teachers must be employed full-time for teachers and teaching for five consecutive complete school years at a school that is at an under-served school district. Nurses must be full-time nurses for five consecutive complete years in a clinical setting or as a member of the nursing facility at an accredited school of nursing. I will be sending you that information. I would like your input on it.

But in your testimony also you talked about Trio and GEAR-Up. I am very involved in those programs back at home, but I have also been working very hard on Project Grad, which basically is going into a school in my district that was taken over by the state and what we are doing is partnering with businesses. They are putting up the money for scholarships for these kids if they keep a 2.5 average in leadership skills and everything else like that.

When we started the program in my district 3 years ago, we thought we would have a hard time getting these kids together to get into this program because they have been, the only thing I can say is they have given up hope most of the time. Now we are seeing overwhelmingly these kids studying, raising their marks, because they actually have a chance of thinking about going to college and that is our step on doing that.

So I hope this Committee will also look at Project Grad. It is working. We have programs out there that are working and we are hoping to finally, we are starting at the high school but we are working our way down now. But with the Trio and the GEAR-Up programs that are already in the grade schools, we think that in the end we are going to save an awful lot of money, especially for the kids that need special services.

So with that, you also talked about students to pursue course work in careers in the fields such as science, technology, engineering, and mathematics. And I am hoping that you might consider also having nurses in those programs. People don't understand nursing is a lot of math and it is a lot of science. So I think they should be qualified.

And with that, going with the Pell Grants, that is going to be a big debate and I know that. All of us here wish that we could have the money to make sure that every child that wants to go to college—but I agree with you on the digital divide. A lot of my schools in the minority area don't even have computers in the school. Don't even have computers. So with that—

Dr. REED. Congresswoman McCarthy, I look forward to reviewing and reading and commenting on your legislation. One of the things that we have tried to do in the California State University in the nursing area is to build partnerships with our large hospitals who

are now providing in a partnership with us scholarships for nurses who will agree to work for that hospital for a period of 5 years and they will forgive their 4 year nursing scholarship to our institutions. We have a $15 million agreement between Long Beach Memorial, which owns several hospitals in southern California, and the California State University/Long Beach. I would strongly recommend that if the Federal Government could also be a part of this, you could do it in a matching, partnership way.

Mrs. MCCARTHY. Thank you. We will look into that. Does anyone have any comments? Great.

Chairman BOEHNER. The Committee will stand in recess until approximately 1:15.

[Recess.]

Chairman BOEHNER. The Committee will resume its hearing on H.R. 4283. And the Chair recognizes the gentleman from Nebraska, Mr. Osborne.

Mr. OSBORNE. Thank you, Mr. Chairman. And I would like to thank those of you for coming and thank you for sticking around while we had this lengthy series of votes. One thing that I would like to mention to you that has occurred to me is that there is a real world cost of money. So if somebody is out of school, maybe they are a doctor, maybe they are somebody who has gone into business, and they have got credit card debt where they are paying 15 percent. They have got a car payment of 6 or 7 percent, house payment of 6 or 7 percent. And they also have a student loan payment of 3.4 percent or whatever. It doesn't take a genius to figure out which one they are going to pay off and which one is going to ride.

And so it just seems to me that there is a basic fairness issue here. And naturally we would like to give students a break forever and ever. And I guess one of the solutions that I keep hearing here is, "Well, we just need more money," and certainly that would be great.

But even if we doubled the amount of money, at some point it seems to me we would still be making a basic choice. We would be saying are we going to help those who have already graduated from school or are we going to begin to help more incoming students? At some point that is the fundamental choice that you have to make.

And so I guess everybody on this Committee would like to have more money available, and yet I hear complaints all the time about the Federal deficit. And so it kind of depends on what you are interested in. And so you want to maybe double the amount of money spent on education but you don't want to see the Federal deficit go above $500 billion. As a matter of fact, you would like to see it down to zero.

Same thing is true in the military spending. Same thing is true in Medicare. Whatever you talk about, it is the same deal. So there is a balancing act here that is going on.

And I used to work with young people, most of whom were from lower socioeconomic situations. And many of them were walk-on football players. And they had to rely on Pell Grants and they had to rely on student loans.

One of the concerns that I had that I would like to ask you about. Let's say that you doubled the cost or the Pell Grant from

$4,000 to $8,000, do you feel that all of that would go to the student or do you feel that it might result in higher cost of education to some degree? I realize it is not a one-to-one relationship, but it seems like the more the Federal Government spends, the more rapidly the costs accelerate. And that has been a concern. And I would like to have you comment on it. Maybe I am totally out of touch with reality, but maybe there is something to that.

So any or all of you that would like to comment on that, I would appreciate hearing from you.

Dr. MARTIN. Mr. Osborne, I have seen a couple of analyses previously that have asked the very question that you have just raised, and that is, if we increase grant aid, does it correspondingly result in an increase in the cost of education. And the studies I have looked at would suggest that it does not. And I think probably in large part because of what you said, that there is not a direct correlation because it doesn't go to all students.

I think what Mr. Boyle said earlier this morning in the testimony is also important to note. And I think one of the things that we have observed, and I think he correctly pointed out, is that unfortunately in many of the states their policies toward low tuition, particularly in public institutions have shifted. And many of them have moved now to a policy of either modest or high tuition along with additional student aid to try to make up to keep access available for those students. And while there is certainly growth in many of the state programs, unfortunately states with the other pressures and so on, most of them have not been able to keep up. And so that probably has contributed as much as anything to part of the cost.

In terms of the first part of what you were talking about, you are correct. All of us from time to time have to make very difficult choices because we have limited dollars. We will never have all of the money that all of us would like to have.

And therefore if we are going to have to have limited dollars, the question is is what are the priorities? And I think the thing we have wrestled with this within my membership extensively. We are very, very concerned about the level of indebtedness that many of our graduates have when they leave our institutions. On the other hand, we also would like to believe, and strongly believe, and there is evidence to support this, that those students when they graduate are in a much stronger position and are able to earn more money over a lifetime without that education.

And so it is a very positive investment. Our main concern is trying to make certain that with the limited funds that we have the first priority ought to go to keep the doors open for future students who without those funds would not be able to enter those institutions at all and even avail themselves of that opportunity.

I recognize, I fully recognize that when you talk about changes or something and somebody says, "Hey, maybe I am going to have to pay an additional $5,000 on my loan," we are talking about an amount there that is going to be amortized over about a 20-year period. And when I figured that out, it comes out to about $23 a month difference in terms of the payment for that person.

Now I am sorry that that person has to do that, and all things being equal, I would rather they don't have to. But that is about

what our average graduates were talking about in order to ensure that we have the money at the front end to do some of the improvements, some of the enhancements to this bill of trying to make the loan programs fair and better, reducing the origination fees, giving students the amount of money so they don't have to go out and borrow through private loan programs, through separate initiatives, giving students and addressing issues on repayment, when they are having problems with that so that they have got additional time. It takes money to do those things, too. And I think that has been the focus of the bill. I would like to see it expanded even further.

One of the things that I like very much about Mr. Andrews' bill is also on the back end with the consolidation, he provides some sensitivity depending on the relationship of your student loan to your income as a debt, to kind of look at that, to try to be sensitive. But it also doesn't allow for somebody that is making $100,000 to suddenly lock in at a very low rate. And so we have got to find a balance here, and I think you are exactly correct.

Dr. REED. Congressman Osborne, I support what Dr. Martin says. In this country today if you are a high school graduate, your lifetime earnings are projected by the Department of Commerce and Labor to be about $1.2 million over your lifetime. If you are a college graduate with a baccalaureate degree, your earnings are going to be $2.1 million. So therefore those earnings are about a million dollars more. If you have to set priorities, which you do, our priority is to help those students that are in school or are going to come to school. If in the loan consolidation business, you are going to have some savings, then let's put that into the students that are in school and help them.

No. 2, back to what I said earlier, I would like to see this Committee talk a little bit more about how can we assure that Pell loans consolidation, whatever you are going to do, helps the lowest income students, the students whose families struggle the most. Now that is very difficult and "fair" has lots of different definitions as to where you draw that line. But I think that focus needs to be debated and talked about.

No, I don't think increasing Pell will drive the cost of higher education up. There is a big spotlight on higher education. In California I can tell you that we went almost 10 years and never increased fees a penny, actually we reduced them 10 percent in 1997 and 1998 when I first came to California.

Now here is America's problem: health care, corrections, all of these competing matters, transportation in the states are more competitive for the state revenue than they have ever been before. Therefore, higher education has a much harder time than they have ever had. So it has been maybe a little too easy to shift some of the state's responsibility. It is really the state's responsibility to pay for access to higher education and not shift as much in fees to students as the states have done in the last four or 5 years.

Ms. WASSERMAN. Congressman, I have to say that I think that this talk about separate priorities, the students coming in the door or the students that have graduated, again, I will say that I don't think that it makes sense, because I think then we are getting them in the door under false pretenses. If then they are saddled

with unmanageable debt when they leave, then that isn't access. And pretending we are prioritizing the ability to get people in the door, it is just a false pretense.

The reality is they won't be able to come in the door because they are going to know that they cannot sustain those payments when they graduate. It will discourage the same students that are worried about applying now because of sticker shock from worrying about how they are going to make those payments, how they are going to get through school. And I think that any proposals we look at, we need to look at any of the needs analysis proposals to make sure that they are really going to work for low-income students. So that means that if you are making a salary of $23,000, that you are not going to be stuck with, again, huge unmanageable payments.

Mr. OSBORNE. Well, my time is up and I will yield back, but I would like to say also that the argument is true, we are in a static economy but we are in a dynamic economy, so incomes rise and fall, taxes, interest rates rise and fall, and it doesn't seem to be wise to me to lock in something in a dynamic economy.

I yield back, Mr. Chairman.

Chairman BOEHNER. The Chair recognizes the gentleman from New Jersey, Mr. Andrews.

Mr. ANDREWS. Thank you, Mr. Chairman. I would also like to thank the panel of witnesses for an outstanding job and for your patience in waiting while we had a series of votes.

I have never been involved in a legislative process that was worth doing that did not involve compromise. And I have never been involved in a compromise that didn't make someone unhappy about something. And I think the choice that is in front of this Committee is whether we are going to leave the status quo in place, which I think is unacceptable because it is not dealing with the stress and anxiety of rising college costs and shrinking affordability, or whether we are going to find the most equitable and intelligent way to reach a compromise.

I think, and I think Chairman Greenspan agreed when he was here a couple of weeks ago, that a better choice would be for us to extend Pell Grants and pay for it by scaling back a part of the tax cut. Unfortunately—or fortunately, depending on how you look at it, that is not a decision within the purview of this Committee. What is within the purview of this Committee is what to do about the student loan law. And I do hear consensus on the panel today that reducing or abolishing origination fees is a worthy goal. I think I hear consensus that expanding options for student repayment by income contingent repayment and other flexible repayment mechanisms is a worthy goal. I think I hear a consensus that offering loan forgiveness to people who go into critical professions such as nursing and teaching is a worthy goal. All of those worthy goals, each of those worthy goals costs money, and it is our job to balance off how to do that.

I agree with the very difficult and controversial proposition that switching from fixed rate consolidation to variable rate consolidation is the right choice. I think it is the right choice. I only think it is the right choice if the $20 billion or so that is saved by making that switch is dedicated to helping students. And I would choose

to dedicate it by abolishing origination fees on subsidized loans and I would choose to dramatically expand repayment flexibility. And I would also choose to means test the question of who gets a fixed rate and who doesn't. I think a compromise that we need to look at is whether certain students who have high debt and low-income should still get a cap on the interest rate they pay, and I think we should also look at other methods of achieving that same goal.

One of the areas that I did hear some division of opinion from our students or student and recent graduate I wanted to ask them about, because I think your groups are ultimately the ones who matter most. I think I heard Ms. Wasserman say that she and her group are very concerned about raising borrowing limits because it could put people further into debt. And I heard Mr. Grayer say that he supports higher loan limits so a student can choose to borrow more, and I assume he has to. I think I also heard Mr. Grayer say he would rather there be more grants but if a student has to borrow, the student has the right to borrow.

Ms. Wasserman, why is Mr. Grayer wrong?

Ms. WASSERMAN. I think that we are working within a political climate right now where we are seeing a bill right now that has no increases in the Pell maximum, right? And under this bill, I am looking at the prospect of raising loan limits is really frightening at the idea of adding to the -- we are talking an average student debt of $18,900.

Mr. ANDREWS. Can I give Mr. Grayer a chance to -- Mr. Grayer, do you think that you should make the choice as to whether to borrow more money or someone else should? Do you think that you should make that decision for yourself or do you think that we should do so by putting limits in the law?

Mr. GRAYER. I think it depends personally on the individual's personal financial situation, because the decision that I will make based on my finances is not necessarily the decision that another student may make based on their finances. So I think then, too, when you have a difference in markets, depending on where you are located, I think that personally I would not give a definite answer to that question but say the issue should be a case by case.

Mr. ANDREWS. Mr. Grayer also testified that he believes that the repeal of the 90/10 rule would permit more schools to open their doors to low-income students. And, Ms. Wasserman, you oppose repeal of the 90/10 rule. Who is right, you or Mr. Grayer?

Ms. WASSERMAN. I think it is important not to pit myself against Mr. Grayer. Mr. Grayer has—

Mr. ANDREWS. But, ma'am, you took two different positions. You pit yourself against him. Is he right or are you right?

Ms. WASSERMAN. I think that his story is very important when we look at the reality; this is an important story, to look at how someone was able to get through this college process, which is difficult and hard to finance. And I think we heard that. I think the repealing of the 90/10 rule, when you look at the abuses of the past and the scams of the past, is a dangerous step. And that we do not want our for-profit schools entirely financed by Federal funding. I think that is what we are saying.

Mr. ANDREWS. Are the students at Mr. Grayer's school members of your association?

Ms. WASSERMAN. They are not.

Mr. ANDREWS. Did you poll the members of your association for their position on this issue?

Ms. WASSERMAN. Excuse me?

Mr. ANDREWS. Did you poll the members, the million members of your association, for their position on this issue?

Ms. WASSERMAN. We don't poll them. They vote and give their opinion on how they feel about for-profits being federally funded completely. And we are very worried about the abuses and scams in the past and figuring out how to create opportunities now.

Mr. ANDREWS. Right.

Ms. WASSERMAN. And create real access.

Mr. ANDREWS. Are there members of your association who are students at proprietary schools?

Ms. WASSERMAN. No.

Mr. ANDREWS. OK, thank you very much.

Mr. MCKEON [presiding]. Thank you. Mr. Ehlers?

Mr. EHLERS. Thank you, Mr. Chairman. And let me just briefly before I get into my questions yield for a moment to the gentleman from Georgia for a unanimous consent request.

Mr. GINGREY. I thank the gentleman and apologize for not being here for most of this very, very important hearing, which I am intensely interested in. Of course we are in the process of marking up the 2005 Defense Authorization Bill, and so you guys know how busy we are there.

Mr. Chairman, I would like to ask unanimous consent to have a statement from the American Medical Association in support of H.R. 4283 submitted for the record, if there is no objection.

Mr. MCKEON. No objection, so ordered.

[The provided material follows:]

Statement of the American Medical Association, Submitted for the Record

On behalf of the medical student, resident physician, and physician members of the American Medical Association (AMA), we are pleased to submit this statement on the critical issue of the reauthorization of the Higher Education Act of 1965 (HEA).

INTRODUCTION

The AMA thanks the Chairman for his introduction of H.R. 4283, the "College Access and Opportunity Act" and urges a mark-up of this legislation. We appreciate the Committee's efforts to assist college bound students in obtaining loans so that they may achieve the dream of higher education. If enacted, such efforts would provide additional opportunities for students to pursue graduate studies and allow the American workforce to continually become more diverse. As physicians, we believe diversity in all professions, especially medicine, is essential to all Americans.

We are grateful that the Committee has included several provisions in its legislation that will assist students with their dream of obtaining a college education. We particularly support the provisions that would:

- Preserve the Federal loan consolidation program;
- Repeal the "Single-Holder" rule;
- Mandate lenders' full-disclosure of consolidated loan terms;
- Reduce Stafford loan origination fees;
- Increase Stafford unsubsidized loan limits for graduate students;
- Allow delayed student loan repayment plans; and
- Require lenders to report loan payments to all national credit bureaus.

The average college student graduates with $20,000 in student loan debt. This figure jumps for professional students, including $109,500 for graduates of medical school. Due to high debt-to-income ratios, assistance by the Federal government is equally important once a student receives his or her diploma, as it is prior to embarking to college.

If enacted, H.R. 4283 would assist more students in entering college through increased student loan opportunities; however, paying back those loans is a difficult endeavor for most students. Recognizing the budgetary constraints facing the Committee, we respectfully request that this Committee continually take into consideration the importance of assisting graduates with affordable repayment plans.

AMA APPLAUDS PROVISIONS IN H.R. 4283, THE "COLLEGE ACCESS AND OPPORTUNITY ACT OF 2004"

Preservation of the Federal Consolidation Loan Program
The preservation and improvement of the Federal loan consolidation program in the forthcoming reauthorization of the HEA is an important issue for AMA members. The program plays a critical role in enabling new physicians to manage the enormous debt they incur during their medical education. While physicians represent only a small percentage of those who consolidate student loans, consolidation is crucial to them because of their levels of indebtedness.

The average debt for medical school graduates in 2003 was $109,500. This figure is up 5% from 2002. Repayment of student loan debt consumes about 20% of the average net income of starting primary care physicians (family practitioners, internists, pediatricians and general practitioners). Such debt is a tremendous hardship throughout the repayment period of the loan, but it is especially difficult during the years a physician is undergoing his or her three to eight years of training in a residency program. Almost all first-year residents make less than $38,000 a year, and this figure does not substantially increase throughout residency training.

One consequence of being burdened with such an enormous student loan debt load is that many medical school graduates must go into higher paid specialties where the starting salaries are higher and they can better afford student loan repayment. This could lead to shortages of family practitioners, internists, and pediatricians. Another consequence is the inability of new physicians to practice in public hospitals and in geographic areas where their income will be insufficient to allow payment of student loan debt. By consolidating their student loan debt, new physicians can cut their payments in half. This permits new physicians to consider working in pursuits and geographic areas they could not otherwise consider if they had to repay their loans over a 10-year period versus a 15 to 30-year loan repayment period.

Repeal of the "Single-Holder" Rule
The AMA supports the provision in H.R. 4283 that would eliminate the "Single-Holder Rule" in the federal loan consolidation program. This provision would have the positive effects of broadening consumer choice and improving market competitiveness.

The current law unfairly limits consumer choice in refinancing student loans. Presently, student (and parent) loan borrowers, who want to consolidate educational loans, must refinance through their current lender when all of their loans are through a single lender. In fact, many loans of student borrowers are sold without the borrowers' knowledge.

It is essential that all student loan borrowers be able to avail themselves of the best possible loan terms when seeking to refinance their debt. The "Single-Holder Rule" prevents student loan borrowers from consolidating their student loans at the lowest cost.

Full Disclosure of Loan Terms
H.R. 4283 would also assure that loan consolidation lenders provide notice to loan applicants regarding various terms of a consolidated loan, including the interest rate, repayment schedules and the option to prepay loan amounts. The AMA supports requiring loan agreements to have "clear and conspicuous" notices in accordance with provisions in H.R. 4283.

Reduction of Loan Origination Fees
By 2010, H.R. 4283 would gradually reduce Federal Family Education Loan Program and Direct Loan program loan origination fees from three percent (3%) to one percent (1%). Reduction of such fees will put more money in students pockets that can be used towards tuition, books, and living costs. The AMA supports such a consumer-friendly change in current law.

Increased Unsubsidized Stafford Loan Limits
Under H.R. 4283, graduate unsubsidized Stafford loan limits would increase from $10,000 to $12,000. The AMA supports this increase, which could enable medical students from acquiring private loans that carry much higher interest rates.

Delayed Repayment Plan For Those Needing Repayment Assistance
H.R. 4283 would initiate a two-year "delayed repayment plan" where borrowers make scheduled payments of interest only or $300, whichever is greater. This provision would be especially beneficial to all resident physicians who live on tight budgets during their training years. The AMA supports measures that would assist residents in making the transition from medical school to the residency training period easier.

Protection of Borrowers' Credit History by Requiring Lenders to Report To All National Credit Bureaus
H.R. 4283 would require lenders to report consecutive on-time monthly loan repayments, which could help borrowers establish a strong credit history. A strong student loan repayment history can help borrowers qualify for lower-cost financing options. The AMA supports this provision which would allow borrowers to take full advantage of their positive credit history earned through timely repayment of their student loans.

AMA SUPPORTS EASING THE BURDEN OF BOTH OBTAINING STUDENT LOANS AND LOAN REPAYMENT

The AMA is cognizant of the Committee's budgetary concerns, but we would like to note that there are additional provisions that we would support if the Committee chose to include them in the reauthorization of the Higher Education Act (HEA):

- ***Expansion of the Definition of "Economic Hardship" Regarding Loan Deferment*** - Currently, resident physicians may qualify for a three-year student loan deferment period when falling under an "economic hardship." The primary factors for determining economic hardship are the borrower's income and his/her debt-to-income ratio. Unfortunately, under the current "economic hardship" definition, many needy borrowers do not qualify for loan deferment. The AMA supports modifications to the "economic hardship" definition (e.g., elimination of the "220% rule") allowing more student loan borrowers to qualify for deferment.
- ***Extension of Student Loan Deferment Throughout the Entire Residency And Fellowship Period*** - Student loan deferment is granted to resident physicians for up to three years when the resident qualifies under the "economic hardship" equation. The minimum duration for a medical resident is three years; however, some programs last up to seven years or more. Without the ability to defer, many capable individuals would be "priced out" of the opportunity to obtain a medical education. The AMA would support a provision that would extend student loan deferment throughout the entire length of a resident physician's training period, including fellowships required for sub-specialties.
- ***Preservation of Fixed-Interest for Consolidated Loans*** - Interest rates on student loans, including consolidated loans, are at a historically low point. Therefore, we support fixed-interest rates for consolidated loans in the current lending atmosphere. However, H.R. 4283 has a provision changing the current fixed-rate system to a variable rate for student consolidated loans with the rate capped at 8.25%. If a variable rate is in enacted, the AMA would support yearly limitations so that one's interest rate could not jump significantly, which could possibly make repayment difficult for borrowers.
- ***Inclusion of Dependent Care Costs in the "Cost of Attendance" Definition*** - Currently, graduate school students are not allowed to include dependent care, dependent health insurance, or dependent living expenses as part of their "cost of attendance" when their financial aid packages are being considered. The AMA believes that the "cost of attendance" definition for medical education should be changed to include such dependent costs. If this were to occur then these costs would be recognized as part of the students' budgets and educational expenses when determining graduate medical education financial aid. This would assist students who are also parents with their attendance and completion of medical school, while enabling them to adequately care for their dependents.
- ***Increased Stafford Subsidized Loan Limits*** - Educational costs increase each year. Recently, some institutions of higher learning have mandated mid-year tuition hikes, which the AMA strongly opposes. Given the increasing costs of higher education, the AMA would support an increase in the maximum amount allowed for subsidized Stafford Loans. Such an increase could reflect the inflation rate of tuition fees.

CONCLUSION

Thank you for the opportunity to submit our views regarding the reauthorization of the HEA. The AMA looks forward to working with the Committee on finding solutions to the critical issue of financing higher education for all American students.

Mr. GINGREY. Thank you, Mr. Chairman.

Mr. EHLERS. Reclaiming my time, I would like to just ask about a feature that there has been some discussion on, and that is the benefit for the 2 year interest only repayment option for borrowers if they request it. And I want to evaluate whether this is a positive or a negative thing. I will start out with Dr. Dallas Martin, and anyone else that wishes to answer may do so.

Dr. MARTIN. Mr. Ehlers, let me say that I think we find that many times students when they first leave school are moving to a new location, establishing a new career, there is obviously cost associated with that of getting an apartment, maybe buying a new wardrobe that is a little more appropriate for your new career than what we were able to wear in college. In many cases, students may be buying a new automobile or something for transportation, et cetera. And then on top of that they also have their loan payments, not to mention the deposits that they put down for utilities and so on and moving into a new place.

And so it is very difficult sometimes getting off to that start. But we have found that if you give students, and technically in the law currently there is a provision that if you are behind you can go to

the whole of your loan and talk about forbearance. The problem is many students don't realize that that option is available to them and so subsequently they get into trouble, begin to default before they learn that there was an option to help them out of this. Now they are not trying to be irresponsible of not repaying their debt. They just don't have the means.

And so we think that by making this up-front, making certain that every student knows that he or she is available for this option, doing it in a way so that they are least paying the interest on the loan so we are not going to end up with negative amortization, we think that that will be a positive benefit to assist students as they are coming out, getting established and then having the means to take over their credit responsibilities in a reasonable way.

Mr. EHLERS. Thank you. Does anyone else wish to comment on that?

Dr. REED. I would say to use that very sparingly, to be very careful, because that is just going to add additional debt later on for the students, and so being very careful I think is best.

Mr. BOYLE. I would agree, and I think it speaks to the issue of financial literacy, which all the studies show that there is a tremendous degree of financial illiteracy among college students and graduates. And so without proper information about what interest only repayment means and advice on that, people get themselves into trouble. And with credit card marketing on campus, students may be doing interest only repayment and not know it by paying just the minimum payment on sometimes multiple credit cards that they take out and be digging themselves into a financial hole.

Mr. EHLERS. I would just have two responses to that. First of all, once again, to illustrate the need for some improvement in our elementary and secondary education programs to increase financial literacy. Second, I would be very interested to find out whether the students' financial illiteracy is any greater than that of the population at large. And I suspect that it is not. That they are probably better off than many of their parents on that score.

Dr. MARTIN. I would suggest, Mr. Ehlers, that if you looked at all of the students that have taken advantage of the current climate to consolidate their loans with such low interest rates, it suggests to me that they are pretty savvy when it comes to financial literacy, maybe more so than most of our parents—not our parents, but we as parents.

Mr. EHLERS. I suspect you are right. One other comment that I would like to enter into the record at this point on the previous discussion. And I have served as a professor for some 22 years and frequently would have students come to me and say, "Well, I am not sure I can continue in school." And I would say, "Why not?" "Well, my debt is getting too large."

And I proceeded to give them a short sermonette to the effect that I always encouraged them to continue in school, I encouraged them to borrow whatever they were able to borrow under the student loan program. I said it is the lowest interest rate you are ever going to have and it is the best investment you can make of any money you are ever going to have. And once you get out of school and graduate you may have $10,000, $20,000 in loans. That is probably the lowest debt level that you will have for 20 or 30 years

because you are going to buy a car and you will probably owe $10,000 at least on that, mortgage for a house, $100,000 to $300,000. It is going to make your student loan look so minuscule by comparison and particularly the interest rate. And it is the only investment you can make that is going to help you pay off all your other loans.

And I think we just have to keep that perspective here. The student loan is the best deal that anyone can ever have because it increases their learning power and it is a lower rate than almost anything else. And let's not lose sight of that as we discuss the loan picture.

Thank you, Mr. Chairman. I yield back.

Mr. MCKEON. Thank you. Mr. Bishop?

Mr. BISHOP. Thank you, Mr. Chairman. And let me thank the panel for your comments here today.

I have a rather broad question, and I should say that I come at this issue from the perspective of someone who spent 29 years as a college administrator before I came to the Congress and I spent seven or eight of those years as the director of financial aid. And my question is this, the fundamental premise of this bill is that it is a revenue-neutral bill. So my question is primarily to Mr. Boyle and to Dr. Martin and to Dr. Reed is in terms of how we order our national priorities, do you accept that fundamental premise? And if you don't, why have you not come to us telling us that this is simply unacceptable? Why have you not come to us and tell us that higher education deserves to be a much higher priority than a revenue neutral proposition?

And then I guess my more specific question is we have heard two statistics. Dr. Reed talked about a well-qualified student of limited means has an 80 percent chance of not going to college. And a Federal commission estimated that because of financial considerations, over four million people will not have access to higher education over the next decade. And so my specific question is do you believe that this bill as currently written is going to appreciably cut into either of those numbers? Start with Dr. Martin?

Dr. MARTIN. Mr. Bishop, if you take the assumption that this bill as written being revenue neutral, does it move the bar up to help students? The answer is, at least in looking at the Title IV programs, the answer is yes, I think there are some improvements. Does it go to where we would like to see it go? Absolutely not. Do we believe that education ought to be a higher priority in this country? Absolutely. No doubt about it. We have talked about this for years in terms of trying to deal with this and so on. But you and I live also in a realistic world where there are changes in budgets and deficits and politics and all the other kind of things that deal with it.

Let me say, though, that this Committee, which is an authorizing Committee, and this is an authorization bill, in my opinion there are two areas in this bill that this Committee, if it wishes to direct more money to education, you can either make changes along the lines of some of the other things that we have talked about and expansion, including Mr. Andrews' bill, on the loan programs because they are entitlements and will be funded. You can add real benefits

to students, both in terms, conditions, limits, all the other things that you want to debate.

You also in my opinion, while you can set a Pell Grant authorization level at a certain level, we still have to go to appropriations and get it. The proposal that we put forward on the negative expected family contribution however if it was enacted would take that money from the current appropriations that are out there and it would least direct that to the poorest of the poor. Those are two areas where I think this Committee can make a difference.

Mr. BISHOP. May I interrupt for a second?

Dr. MARTIN. Yes, you may.

Mr. BISHOP. With reference to assisting the poorest of the poor, which I would wholeheartedly endorse, how would you characterize or what is your position on the proposal in the bill to make at least a portion of Pell merit-based?

Dr. MARTIN. My association has not taken a formal position on this, but let me give you a personal opinion, if I may.

I think all of us want to try to ensure that students in high schools today are taking a rigorous curriculum to make certain that they are properly prepared to pursue post-secondary education. I think the idea of trying to recognize or provide some benefit to those students that do that is fine.

My objection is, and while I understand that probably if this is enacted the state Scholars Programs will grow in the other states, but currently it is only in effect in 13 states.

If I had my choice, what I would do is I would say this is that rigorous curriculum, which the state scholars support, and I would say to children in high schools across this country that if you achieve that curriculum and come out of it regardless of what public school districts you are in or what state or whatever, you are entitled to that additional bonus just like everybody else. And right now it will be limited and also you can have somebody with a minimum Pell Grant that would be eligible for a maximum $1,000. Even under the proposal that I have proposed of the negative EFC, the maximum that any student could get, which are the poorest of the poor, would only be $750, because that is where we have the negative EFC.

Dr. REED. Congressman Bishop, one, there are many, many good things in this bill, and so we do support this bill. And I hope that you do that in your way of compromise. So it is a good bill for the many good things that are in there.

No. 2, in part of my work life I was the chief of staff to the Governor of Florida for 8 years, and that was probably the single best education I ever received. What you are asking us who are biased, yes, I want you to put everything that you can in higher education. But as elected officials representative of this nation, I also know that you have to balance that because there are a lot of people who need health care. There are a lot of children who need services, a lot of elderly. I want to ride on good highways. I live in Los Angeles and you know what that is like.

So it is a balance. What I worry about a lot is that higher education is about second or third on everybody's list and it is not first. Yes, I would like to see it be first because of what I think it can

do for the citizenship of this country. But I realize that you have got to balance that and I trust you all in that balance.

No. 2, the merit part I would oppose. The merit-based financial aid programs in this country have grown in the last 10 years at an enormous rate. I have a record, if you want to go back and look at it, I opposed the merit-based financial aid program in Florida when I was chancellor. The only thing that I can say today is all of my friends now are calling me up saying, "You said so, you were right. What a mistake." And what it has done it has tied the hands of the legislature. And I don't want to see you tying your hands the way those programs were tied.

Now, coming back, figuring out what the gentleman said earlier about how we can help the most needy students is the most important thing that you can do because if we can help them and help them get an opportunity to get a baccalaureate degree, then they will help this country by paying more taxes and contributing more to their communities.

Mr. BOYLE. On the issue of merit-based versus aid based on need, this week's Chronicle of Higher Education has a survey of a 1,000 parents and 34 percent right now are claiming that their families are receiving merit-based scholarships. But of those parents who are on their way to college, doing my math here, 72 percent expect that their son or daughter will be getting an academic-based scholarship. And so part of I think our collective role is to educate families that we all have very special children but they may not be eligible for academic-based scholarships.

And I think that returning to the system of 20 years ago where aid is based on need and it is much cleaner and it is a much more understandable system and if someone is able to meet the entrance requirements of a university, then they should be able to get the aid that they need.

Mr. BISHOP. Thank you, Mr. Chairman.

Chairman BOEHNER. The Chair recognizes the gentlelady from Minnesota, Ms. McCollum.

Ms. MCCOLLUM. Thank you, Mr. Chair. I have been reading the bill so I have a couple of questions, but I think I am going to basically direct them to the Chair to get me some information. But I think you also might have some light to shed on these issues.

So, Mr. Chair, I have been going through here and I have noticed numerous, numerous reports that the colleges have to be filling out to comply with, academic achievement, information to the public, and there are consequences to them for not fulfilling these reports. Many of these reports are in statute. Some of these are an expansion to statute. And I am wondering if we ran any kind of cost analysis on average what it is going to cost the higher education institutions to comply with this law?

Chairman BOEHNER. There are no new reporting requirements for institutions of higher education until 2008 and only for those institutions who have increased their tuition at more than twice the rate of inflation for the 3 years leading up to that.

Ms. MCCOLLUM. Thank you, Mr. Chair. Reclaiming my time, 2008, so because it is a projected increase to the colleges for doing these reports in 2008, I am just to ignore and not have any information on what it is going to cost the colleges?

Chairman BOEHNER. These are for only institutions who raise their tuition and fees at more than twice the rate of inflation.

Ms. MCCOLLUM. Thank you, Mr. Chair. On the GAO study, because I wasn't part of the working group that put this bill together—it is on page 29 of the bill—it says that "They shall conduct a study of policies and procedures of institutions increasing their costs." That is one of the studies I referred to. There is nothing in here I see that asks GAO to state what the individual states have done where the colleges are located, if they have cut their support for financial aid or their support to the institution. And I have a question as to whether or not under—well, are books included in here with what is going on with textbooks? Because I hear that from students all the time with what is going on with their textbooks. Is that considered part of the total cost of the education under the report?

Chairman BOEHNER. I think we are only looking at tuition and fees.

Ms. MCCOLLUM. Well, you need the books to take the class. I think maybe we need to take a look at that. And if we are really going to be holding the colleges accountable for what is happening or the technical schools accountable for what is happening to their tuition, I think we have to look at what the states are doing.

The states have been negligent for the large part, and maybe Dr. Martin would like to expand on this some more, for being involved. I know in my state 20 years ago, when the Federal Government was on hard times and the state was on hard times, we cut higher education. And they talk about all the increases on higher education. Well, folks, all the increased on higher education don't match what has happened in the last 20 years with inflation to higher education.

So we are not talking about where the base should be had it never been cut. And I think that holding schools accountable for fees that they can control is legitimate. When the state of Minnesota cuts higher education 14 percent, the U of M is opening its doors to the freshmen class and for those returning 6 months later, it is kind of stuck. And I don't think that that is fair not to include that, and maybe someone from the panel would like to elaborate on that.

Chairman BOEHNER. Well, if the gentlelady would yield, and I won't take this off your time, but I agree with you entirely. The states for the last 25 years have systematically shifted their responsibility in higher education from themselves onto the backs of the Federal taxpayers. And if you look at the explosive growth both of Pell Grants and of student loans, you will see that we are picking up a far greater share and it hasn't slowed down at all, especially over the last 10 years. And if you look out over the next 10 years, you will see that the Federal Government's share of the cost of higher education will continue to explode exponentially.

Anyone on the—

Ms. MCCOLLUM. Mr. Chair, you made my point why we need to include it. Dr. Martin?

Dr. MARTIN. I think Dr. Reed made this point earlier in terms of doing it, and he probably has more experience about this than I do because of his position, but we have seen a shift in terms of

many states adopting policy positions that have moved from a philosophy of several years ago of low tuition, particularly in state-supported colleges and universities, to modest to middle to even high tuition with the idea that we will make the difference so that we still have access by increasing out state aid programs. The unfortunate part of that is is as we have gone into that policy, in many cases the state aid has not kept up proportionately to the other costs.

And you are right, when we cut back on that and change that, I agree with Dr. Reed that there are a lot of competing priorities out there in statehouses across the board. And quite honestly higher education frequently is on the tail end of those priorities, unfortunately. And the reason is because they still recognize that many people will still pay the price because of the benefits and so they can get away with raising tuition and fees in public institutions easier than they can in not addressing other kinds of priorities that the state has, including many of the unfunded Federal mandates that have been imposed on them even by the Federal Government.

So it is a balancing act. It is very, very difficult. And we recognize it. But I would agree with you on this that if we don't begin to pay some attention to doing this, as we keep going in this kind of imbalanced direction, and we keep depending only upon credit financing to do this, to finance higher education, we are going to do a terrible disservice to this country, and particularly when you look at the changing demographics and the wave of people coming forward. And if we do not spend the resources to provide education and skills to those people, this country will lose the prominence and the richness and many of the virtues that we have today.

Chairman BOEHNER. The Chair recognizes the gentleman from Georgia, Mr. Isakson.

Mr. ISAKSON. Thank you, Mr. Chairman. Dr. Reed, I apologize that I was not here to hear personally your testimony or that of the other panelists; however, I read your testimony and I wanted to particularly thank you for your comments with regard to distance education. I thought you put it very succinctly about the environment we were in in 1998 and the one we find ourselves in today, which is a sea change.

I would like to ask you, however, are you comfortable with the accountability and administrative procedures governing distance education today as it now exists?

Dr. REED. Well, if I said no I would be indicting myself. And I don't want to do that. Yes, I am. It can get better. It will get better, because we are kind of learning as we are doing, and I think that that is what we will need to continue to do. And I think, back to Congressman McCollum's first statement, this Committee could look at all of the reporting that is required by those of us in higher education and help lower some of the administrative cost burdens but also keep in place the kinds of accountability that we really need to have and report to you so that we are responsible and accountable for your resources.

Mr. ISAKSON. Thank you. I noted your comment about the accrediting agencies, too, and although you included them in the same statement with yourself, my observation is they have come light years in the past two or 3 years in terms of accreditation of dis-

tance learning and are really up to speed now I think compared to where there was some reluctance to even address it five or 6 years ago. Is that correct?

Dr. REED. That is correct, and we will see that get better. I am proud that the Western Association of Schools and Colleges has led that effort but so have all the other regional accrediting organizations really improved in the last couple of years.

Mr. ISAKSON. And my last question, and pardon me for concentrating just on that subject but it is one I have had a great interest in for some time, I have felt three or 4 years ago when we really started investigating this that this would allow us to reach so many of what I call non-traditional students and also had the distance learning and also had the promise of alleviating some of the enrollment and some of the overcrowding problems experienced in some of our colleges and universities. Is that in fact now a reality?

Dr. REED. That is in fact a reality. I have pushed as hard as I can as the chancellor of the university system to see our faculty maybe only have to have their students come to class instead of 3 days a week, 2 days. And that other day through the use of technology, through the lab, through video, that they could then use that to be a part of their learning experience and enrich what they have done. This morning I was sharing another story about distance education. The movie industry in California is desperate for animators. And not to make cartoons but that is the way movies are being made. Well, all of the industry came together and asked the California State University to help them out and if they would contribute money, but what they have ended up doing is contributing staff.

And so the folks at Disney, the Spielbergs, have donated their staff, who by television, by computer, by the Web are teaching students in San Jose today how to be animators. And they are very successful. They are producing more animators than some of the institutions in the LA Basin and are very proud just because of the kinds of students that San Jose has.

So it is working and it can get better.

Mr. ISAKSON. Well, my last, and this is really a comment, we were doing a lot of the stuff on the 15 percent rule and the 12-Hour rule and some of the other things that were impediments really for distance learning. We had a lot of faculty members at universities who were very reluctant to embrace it because of the relationship with a student and not having the face to face time. I recently had a professor at a university in Georgia comment that he had fought it for so long because he felt like it deprived students of access until he remembered that when he got home at night he would just take his phone off the hook and his students couldn't get him but he cannot deny his e-mail, they can get him any time they want to.

So I thought that was an interesting comment in terms of the faculty and student relationship.

Thank you, Mr. Chairman.

Chairman BOEHNER. The Chair recognizes the gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman. I thank all of you witnesses for your testimony today. I apologize for missing some of it, but I found it to be very forthcoming and direct and helpful.

Dr. Reed, because you are involved in managing a campus I wanted to ask you a question. We talk in this bill about tuition hikes compared to the Consumer Price Index. I have a little experience with higher education situations and it strikes me that the Consumer Price Index and what it measures in terms of products in the basket might not even be close to what institutions experience, energy costs, security, technology, and facilities.

I had an alternative with other members here, Ms. McCollum and others, that would have asked the Department of Education to establish a higher education price index that we hoped would be more reflective of the kinds of costs that colleges and universities experience. Do you think that is worth pursuing? Do you think there is in fact a disparity between the CPI and the real index that would affect colleges and universities?

Dr. REED. I do think it is worth pursuing. I don't know what all is included in the price index of higher education.

Mr. TIERNEY. But do you think it is different than the regular—

Dr. REED. But I do want you to know that I entered into an agreement yesterday with the Governor of California, as my colleague at the University of California did, where we have agreed to tie our future fee increases to a personal income increase of the citizens of California.

Mr. TIERNEY. So if I am correct, your tuition can't increase any more than the rate of income?

Dr. REED. Personal income.

Mr. TIERNEY. That was at a mean rate of income or an average?

Dr. REED. It is an average.

Mr. TIERNEY. So when Mr. Schwarzenegger makes another movie, that thing can go up like crazy?

Dr. REED. Yes, that is right.

Mr. TIERNEY. I think you got taken there. I don't want to say anything, Dr. Reed, but you were taken to school on that one.

Dr. REED. And there was a provision in there if there is some huge emergency we can increase fees up to 10 percent but it is capped at that. But the real focus was back on the tie to the personal income.

Mr. TIERNEY. Thank you. The campus-based aid issue, and I open this up for anybody who wants to address it or whatever, does anybody have any evidence that institutions are currently getting any part of the campus-based aid to students who do not have an unmet need?

Dr. MARTIN. No, the students that receive the campus-based aid have to be eligible to meet the criteria, Mr. Tierney. So, no, there is no student getting money now that is not eligible.

Mr. TIERNEY. That is my point. So when I read this bill I have the real concern that it is going to result in some students not getting the aid they need and others getting aid that they need. And it seems like we are getting into a beg your neighbor type of situation on that. So I just wanted to clarify that point and make sure that we are all on the same page.

The proprietary schools issue. There is a lot of concern that we put in protections against fraud and abuse some time in the 1980's because of the scandals that were out there and now there is some indication in the National Student Loan Data System that in 2001 reports that proprietary schools for that year, 2001, had an overall default rate on student loans of 9 percent contrasted with a 5.3 percent for public colleges and 3.5 percent for private colleges. Should we still have a concern about the possibility of a fraud and abuse in proprietary schools if we abolish the 90/10 rule? And if we do still have that concern and if we still do abolish the 90/10 rule, what other protections might you recommend we put in place to alleviate any concern about fraud and abuse?

Dr. MARTIN. Mr. Tierney, I don't know about the 90/10 thing, let me make a comment about the differences I think on the default rates. If you look at everything I have ever read about default rates is there is a tendency of people who have higher incomes are more likely to be able to pay their loans off more rapidly and are less likely to default than people that have modest means. If you look at the economic make-up of students who are enrolled in different sectors of higher education, there is a relationship if you looked at community colleges or say proprietary institutions and that they probably have a higher proportion of lower income students in their institutions than would certain other sectors.

This doesn't mean, this doesn't mean that people that have modest economic means are not serious or responsible about paying back their debts. It is not an unwillingness to repay. In many cases they find themselves after they are out with lower paying jobs or whatever, that they don't have the ability. And so there is a higher propensity of some of those people not to be able to manage their debt.

Mr. TIERNEY. May I interject something, Mr. Chairman. Do I have your allowance to do that? I know I am a little over my time. But aren't we talking about the whole universe of these students all being financially eligible to get these loans so they are all pretty much in that financial category? So a lot of the institutions may have more of a student, these students we are talking about whose payment rates are being judged are pretty much the same kettle of fish here. They are all eligible financially for these loans so they are all pretty much in the same circumstance. So I am not sure I follow your logic when you compare the institutions.

Dr. MARTIN. I was just trying to compare, maybe I misunderstood you, Mr. Tierney, but I understood that you were talking about differences of what are the default rates by sectors in post-secondary education?

Mr. TIERNEY. I did, but basically I think I don't draw that to be that because a school might have a lot of wealthier kids and than some poorer kids that that somehow leads to them not having a payment schedule because all the kids getting the loans are in the same economic area. It seems to me that those protections work and even with those protections in place, we are finding a higher default rate on these proprietary schools because of the way they are structured than we do in the public and the private institutions on that. And I see Dr. Reed nodding a little bit there. You might want to help me out here if I am not explaining it clearly enough.

Dr. REED. Yes, I think you are correct. I think it is a part of the due diligence and the responsibility of these institutions and I think the more you make the information you have public, the better. California State University, we are mostly poor students. Our default rate is 3.7 percent. I want it to get better. But it is something that my board pays attention to and makes us report publicly. And I think the more we can do that, the better.

Mr. TIERNEY. And do you have a comment on how we would, if we were going to remove the 90/10 rule of proprietary schools, how would we then ensure against fraud and abuse if they are already higher than your institution and others like it?

Dr. REED. I don't know.

Mr. TIERNEY. OK.

Chairman BOEHNER. If the gentleman would yield?

Mr. TIERNEY. Mr. Chairman wants to be a witness?

Chairman BOEHNER. Well, I want to be helpful. When there were serious problems in the 1980's with certain types of institutions, Congress slapped multiple layers of accountability on these institutions where the abuse was coming from. And many of us believe that 90/10 is inhibiting schools from going into very poor neighborhoods and offering students a chance in those neighborhoods.

And if you look around the country, you will see a lot of institutions that were once there, in large urban centers especially, are no longer there. And I believe and others believe that the accountability provisions still in the law are more than sufficient to prevent the abuse that we saw back in the 1980's and early 1990's in that 90/10 is in fact overlapping and redundant and frankly unnecessary.

Mr. TIERNEY. Reclaiming my time, and I appreciate that. I pretty much knew what your theory was and I was sort of giving you that in my question just for argument sake. Assuming that you get rid of the 90/10 rule and looking at the facts of saying either with the 90/10 rule proprietary schools aren't doing anywhere near as well as public colleges and private colleges, my real question what other protections do we put in place because in my estimation the existing ones aren't enough if the ones we put in the 1980's still aren't doing the job, the existing ones aren't enough, what would you substitute for the 90/10 if you wanted to get rid of the 90/10 and that was really where I was going.

So I was almost willing to give you your argument that you think that those might be the wrong set of situations there but clearly something is needed to do a better job than we are doing now. And if you take away the 90/10, I didn't know if anybody had any suggestions of what they thought we might replace it with in order to try to bring those numbers down. Ms. Wasserman, you do.

Ms. WASSERMAN. Yes, I think I know that there has been work by the National Consumer Law Center and the Workforce Alliance to look at things like doing a non-partisan study to figure out where the fraud and abuse lies because some statistics are that just in 2003 the Department of Education's Inspector General made public seven audits documenting serious fraud and abuse in school administration of Federal aid. Those schools had to return over $50 million to the Department, lenders and students.

So there is fraud and there is abuse. And we do need to find out more about that. I think keeping the rules that we have, keeping the protections that we have and then doing the research to figure out what are those other things that we can do, are positive steps that we should look at in this reauthorization. There are still schools that are closing. In 2002, over 100 computer training schools closed in 23 states. Of those schools, only 25 provided advance notice. So there are real issues, and I think we do have to make sure that students are protected.

Mr. TIERNEY. I thank the witness. Mr. Chairman, I thank you for your indulgence.

Chairman BOEHNER. The Chair recognizes the gentleman from Texas. I am sorry, Dr. Reed has got to catch a plane and so, Dr. Reed, you are excused. We don't have to go through all the reasons, but the Chair recognizes the gentleman from Texas, Mr. Hinojosa.

Mr. HINOJOSA. Thank you, Mr. Chairman. I ask for unanimous consent that my opening statement be allowed to be entered into the record.

Chairman BOEHNER. Without objection.

[The prepared statement of Mr. Hinojosa follows:]

Statement of Hon. Ruben Hinojosa, a Representative in Congress from the State of Texas

I would like to thank the Chairman for calling this hearing today on H.R. 4283, *The College Access and Opportunity Act.* This bill addresses the core issues of access to higher education for low-income families. It is of critical importance to the Hispanic community.

As I look through the provisions of H.R. 4283, The College Access and Opportunity Act, I get the uneasy sense that we are letting opportunity slip through our fingers. Although this bill reaffirms federal support for the core student aid and institutional aid programs, it breaks no new ground, and in the case of HSIs and the single definition of institutions of higher education, takes us into dangerous new territory.

I am pleased to see steps to expand the reach of TRIO programs to new grantees. Likewise, a number of the amendments to HSIs are just what we have been advocating. However, this bill does not take these programs to a new level. TRIO, GEAR UP, and HEP and CAMP will still only reach a small fraction of those who need these services.

The HSI provisions do not include graduate education -- a significant omission. Furthermore, the bill changes the focus of the HSI program from developing the capacity of institutions that belong to the community to diverting resources to institutions that belong to individuals.

In its zeal to produce a budget-neutral bill, the best the majority can muster is a status quo piece of legislation, a bill that takes small steps around the edges when we need to move forward by leaps and bounds. We can and must do better.

We are all aware that demographic trends and workforce demands are going to severely strain our system of higher education. Our population of college-aged students is the largest it has ever been. This growing cohort of college-aged students is increasingly low-income, first generation, and minority. We have enormous gaps in access and attainment. The highest achieving low-income students only enroll in college at the same rate as the lowest achieving high income students. The Hispanic community has the lowest rate of college degree attainment any community – from bachelor's degrees through Ph.D.s. There is a gap at every level.

We also know that postsecondary education is the ticket to the modern workforce. Our nation will be depend upon this generation of college-aged students to support social security and to repay the ballooning national debt. This mountain of debt is a legacy that this Congress and this Administration are leaving for generations to come.

The Advisory Committee on Student financial assistance has warned us in no uncertain terms that unmet financial need is barring hundreds of thousands of qualified, low-income students from pursuing a college degree every year. Jay Green of the Manhattan Institute has warned us that only 32 percent of all students, 20 percent of African American Students, and 16 percent of Hispanic students leave high school prepared for work at a four-year college. Finally, a recent report funded by Sallie Mae warned us that Hispanic families do not have the information they need about financial aid, and therefore, do not believe that college is possible for their children.

We must heed these warnings and seize the opportunity that this reauthorization presents us. We must ensure that no college qualified student is barred from pursuing a college degree because of financial need. Furthermore, we must ensure that no college qualified U.S. high school graduate is barred from college because of their immigration status. This Committee should be at the forefront of advocating the passage of the Student Adjustment Act.

We must expand the outreach programs such as TRIO, GEAR UP, HEP and CAMP so that families and students are prepared for college. It is unconscionable that in the 21st century all young people are not prepared for college.

Finally, we must expand the pool of individuals attaining advanced degrees – in particular in the Hispanic community. We must not let this reauthorization pas by without adding a graduate program to Title V for Hispanic Serving Institutions.

I look forward to working with al my colleagues on the committee to achieve these goals. They are attainable.

Mr. HINOJOSA. Thank you. I am sorry to see Chancellor Reed have to leave but I will ask my questions then to possibly Dr. Martin and the other gentleman.

I thank you all for coming to testify today. Your testimony in support of strengthening, actually it was Chancellor Reed who gave testimony in support of strengthening Hispanic-serving institutions, HSI's, establishing a graduate program for HSI's is one of the top priorities for the Congressional Hispanic Caucus and to the Hispanic community from West Coast to East Coast and some of the territories.

Could you please discuss the implications for higher education research and industry if we do not raise the level of advanced degree attainment in the Hispanic community, Dr. Martin?

Dr. MARTIN. Mr. Hinojosa, I fully support obviously trying to make certain that we do what we can to ensure that we have equal participation in our society from all people. And I think to the degree, if you look at who goes on to obtain higher education graduate professional degrees, obviously we have a lot of under representation not only in the Hispanic community but within some of our other minority communities in this country.

I have long believed that anything that we can do to strengthen that and recognize maybe some additional need-based aid in the graduate and professional areas is important. While this particular provision is not the topic that necessarily falls under our association directly, I think that it is a good idea to address this issue, to see what we can do to strengthen those institutions and to provide that kind of support for those individuals.

Mr. BOYLE. I agree. At the suggestion of the GEAR-Up group, we participated in Feria Educativa Fair in South Florida in December and were literally besieged by hundreds of Latino parents who were wanting more information about how they could better understand the process of preparing, applying to, and financing of college. And we at our group of College Parents of America are actively hoping that we can secure necessary funding to put our Web site into Spanish and to work with partners to create a greater distribution of Spanish language material.

Mr. HINOJOSA. Well, I want to say that in the 8 years that I have been in Congress I have seen the increases that have occurred in trying to get more HSI's to be able to get designated and monies so that they can do the recruitment and tutoring and mentoring and retention and seeing how this bill only increases the minimum grants for the HBCUs from $500,000 to $750,000, it seems like the experience I have had two or 3 years where we have been getting crumbs increases for the HSIs that we are getting right back to where we were 10 years ago where there was a great deal of neglect for the Latino community, and I think that that is a serious mistake in this legislation.

Also, I see that the question that I asked is not being addressed in ways that will give us more professors at the universities where we have an acute shortage of professors, and especially Latino professors. And if we are to be able to take care of the needs of this very fast-growing ethnic group, I think that this legislation is lacking in order to meet the needs of what we need for higher edu-

cation and would like to have this young lady's—sorry, I can't see your name from here, but I would like to have your comments.

Ms. WASSERMAN. I think that that is a critical point and in a bill that has this Bill of Academic Rights talking about diverse viewpoints and intellectual pluralism being important, for us, when we look at the bill, we are looking are what are the ways we are going to have real increased diversity points in our campus and that is going to be to support the increase of Latino students on campus and that is what is attracts those students is becoming the professors of the future. And it is supporting HSIs, it is supporting HBCU's, it is finding ways to support other programs that our outside of this reauthorization process like affirmative action, that we support those programs that we think will make the difference in who is in our classrooms and who goes on to reach higher level degrees.

Mr. HINOJOSA. Well, it seems like all of you agree but I don't hear that you all are making a strong statement that this bill is short of what we need for the next 6 years. And unless you speak up, I don't see that Congress is going to wake up to the fact that there are over 2.5 million Latino students and another 2.5 who would like to get into college simply because we don't have enough professors. Classes close like this once they open them for registration because we don't have enough professors and we have got to have Master's and Ph.D.'s to be able to teach at the university level. So I need to hear your community to really rise and speak up so that the shortfall that occurs in the new reauthorization act that that gap is closed so that we can indeed serve all those who are qualified and wanting to go to college.

So with that, I yield back the balance of my time.

Chairman BOEHNER. I want to thank all of our witnesses for your patience and our audience for your patience during our interruption today. We appreciate your valued testimony, and I expect that the Committee will have another hearing probably after members return from the Memorial Day district work period and begin to delve a little more deeply into some of these subjects that were talked about today.

Ms. MCCOLLUM. Mr. Chair?

Chairman BOEHNER. Ms. McCollum.

Ms. MCCOLLUM. I would like to add in an editorial from the Minneapolis Tribune which talks about access to higher education.

Chairman BOEHNER. Without objection, so ordered.

[The provided material follows:]

Editorial from the Minneapolis Star Tribune, Submitted for the Record by Hon. Betty McCollum

Editorial: Gentrification/Too much on U.S. campuses

Published May 5, 2004

The headline on an April 22 New York Times article about the growing income divide in American higher education might have been, "Colleges help rich get richer, poor stay poor."

That perversion of the American dream will be the result, if enrollment trends at many of the nation's colleges and universities continue. Around the country, decades of faster-than-inflation tuition increases and miserly responses by the funders of financial aid have worked together to concentrate affluent students at the nation's flagship universities and prestigious private schools, while consigning students of modest means to low-cost community colleges and state universities. Minnesota's private colleges are bucking that trend, however, thanks in good measure to the Minnesota State Grant Program.

Freshmen at the University of Michigan, the Big Ten's gold standard institution, are more likely to come from families with incomes in excess of $200,000 than from those earning less than the national median of $53,000, the Times reported. Fewer than 20 percent of American families have incomes greater than $100,000, but at the nation's 42 most selective colleges and universities, students from those families account for more than 40 percent of total enrollment. That's up from 32 percent just five years ago.

The gentrification of the best American schools breaks faith with generations who have been told that higher education is available to anyone who possesses the ability and will to succeed, regardless of means. It threatens the social mobility that has been a defining American characteristic since the nation's founding. The situation so worries educators at a number of leading universities -- Harvard, Stanford and Yale among them -- that they are revamping their admissions and financial aid policies to give low- and middle-income students more opportunity to enroll.

Minnesota colleges and universities have not totally escaped this trend. In 1999, a major study of the college enrollment decisions of high school graduates found that more than a third of those from families with incomes under $40,000 chose the lowest-cost higher education option, state community and technical colleges. The higher-priced University of Minnesota was the choice of one out of six in that income group.

Yet the same study found something surprising: Gentrification is not sweeping the state's most expensive schools, the four-year private colleges. About one in five students from families with incomes under $40,000 wound up at private colleges. That's a larger share than enrolled either at the University of Minnesota or the four-year state universities.

More recent evidence that Minnesota's private colleges are bucking the gentrification trend comes from the enrollment decisions of this state's recipients of federal Pell Grants for low-income students. In 2001, 20.4 percent of them were at private colleges, compared with 22.9 percent at state universities and 17.4 percent at the University of Minnesota.

The private colleges deserve praise for expending their own resources to keep their doors open to low-income students. But another anti-gentrification force is also at work -- the State Grant Program.

That private colleges here are not exclusive clubs for the rich is a credit to the wisdom of the grant program's design. It provides support for Minnesota students who choose both public and private institutions, and calculates grant amounts with a formula that accounts for both family income and institutional cost. As a result, 18,700 of the 72,400 students who received state grants in 2003 were enrolled at private colleges.

The grants those students received are not a state subsidy of private institutions, as the program's critics argue. The State Grant Program is an investment in open campus doors. It is a defender and preserver of the American Dream. The national trends suggest that more states need programs just like it.

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Chairman BOEHNER. Mr. Kildee?

Mr. KILDEE. I just want to thank all the witnesses. We have had a very good panel today. You have responded to our questions very well. All of you have done well. I do think, Ms. Wasserman, you responded and reacted well to tough and hard questions on both sides of the aisle, and I commend you for that.

Ms. WASSERMAN. Thank you.

Chairman BOEHNER. This hearing is now adjourned.

[Whereupon, at 2:30 p.m., the Committee was adjourned.]

[Additional material submitted for the record follows:]

Statement of Hon. Pete Hoekstra, a Representative in Congress from the State of Michigan

Mr. Chairman, I want to thank you for convening this hearing today. The reauthorization of the Higher Education Act (HEA) is an important undertaking for the Committee on Education and the Workforce in the 108th Congress. We've made steady progress on this reauthorization with the passage of legislation addressing Titles II, VI, and VII of the Act, but there are many other important provisions of the HEA under consideration today.

Upon the introduction of the College Access & Opportunity Act, I applaud the Chairman for including many important programmatic reforms and setting impressive goals in this HEA reauthorization. Creating a consensus proposal that members can support is certainly no easy task. Even among the Members of this Committee, there are several different approaches to containing costs, improving the quality of higher education, expanding access, and removing barriers to higher education opportunities for non-traditional students. I look forward to working with the Chairman in the coming months as he continues the ongoing dialogue on this reauthorization effort.

The nation benefits from the rich diversity of all the different colleges, universities, and other institutions that make up higher education. I am an ardent supporter of our system of higher education because it allows individuals to make choices based upon their own needs, personal goals and unique interests. I strongly believe that Higher Education is one of the best education models that exists in our nation, due to its abundant options, rigorous academic standards, and the manner in which it empowers students to make educational choices that complement their individuality.

I wish to thank the chairman for agreeing to incorporate my amendment within the base text of the language for Title III and Title V programs. I've long advocated for increased partnerships between minority serving institutions (MSIs) and the elementary and secondary schools in their local communities. I whole-heartedly believe that these provisions facilitate opportunities for students at MSIs to mentor and positively impact younger students. I recognize that many campuses are already undertaking innovative efforts to prepare and recruit future students, and I trust that this language will support these innovators and also encourage new partnerships to be formed.

Because of my personal interest in increasing access to post-secondary education opportunities for students from non-traditional backgrounds, I also want to express my concern with the long-term impact of a ten percent set-aside for new TRIO programs. TRIO programs have long served a unique and needy population of students, and I'm concerned that this set-aside may adversely impact successful programs with a long and steady history of community support. Many TRIO programs have taken years to build their current capacity, partnerships, and reputation, and it is important to recognize the benefits and high-quality results that mature programs bring to TRIO.

With each passing year, more students are applying to higher education programs, and more are graduating with certifications, diplomas and degrees. This is a reflection of the importance of this Act, but it also exposes the difficult situation that authorizers are faced with as we seek to expand the reach of federal student aid. While there is certainly a demand for increased loan limits and Pell grants, the number of students who qualify for this critical financial support is steadily increasing. Authorizing unrealistic limits without being mindful of the fiscal impact of such policies is an action that may reap short-term political gain, but I believe is also misleading students and parents.

While I recognize that some would have liked to see dramatic increases in loan limits and Pell grants, I believe the modest increases in H.R. 4283, coupled with reduced origination fees on student loans, will support low and middle-income students and allow them increased access to the post-secondary educational institution of their choice.

I support the Committee's efforts to simplify and clarify the financial aid process. I'm pleased that the bill before us returns the financial aid drug provision to the original intent of Congress, and that it also makes several strides to eliminate fraud, abuse, and confusion by simplifying the financial aid application process and verifying and streamlining FAFSA information with data reported to other federal agencies for other federal programs.

I am also pleased that the bill before us eliminates the single holder rule, which will allow students to consolidate their student loans with the lender of their choosing. This anti-competitive provision has no place in a free-market society and I applaud the Chairman's wisdom in eliminating it.

I strongly believe that we should encourage, not penalize, innovative ideas for delivering higher education. As the student population becomes more non-traditional, changes in the rules governing distance education will go a long way to increasing access to higher education for underserved populations. We should push to give as much flexibility as possible to these delivery methods.

The bill before us strikes an appropriate balance regarding the transfer of credit policies of institutions. The legislation requires academic institutions to make their transfer of credit policies public and forbids them from rejecting credits based solely on the accreditor. While I believe it is important to provide maximum flexibility for transferring credits between institutions, I also want to protect the integrity of academic instruction at institutions of higher education by preserving their right to control the curriculum and instruction that is associated with a degree from their institution.

H.R. 4283 facilitates other responsible policies by institutions of higher education. I am pleased to note several provisions that will enable students to complete their education in due course. Repealing arbitrary policies like tuition sensitivity, the 30-week rule, and the 90-10 rule eliminates incentives for institutions to unnecessarily raise tuition costs or expand the length of the academic year. By providing students with access to federal Pell Grants year round and reducing the time it takes for students to complete their education and training, the legislation seeks to ensure that students are able to complete their schooling and enter the workforce in a timely fashion. Eliminating the 90-10 rule, which has steadily become less a reflection of institutional accountability and increasingly a measure of bureaucratic compliance, will allow proprietary institutions to continue to expand access to higher education for the neediest students, while maintaining affordable tuition costs.

I would be remiss, however, if I did not express my concerns with the radical policy change that would eliminate any fixed interest rate option for student borrowers. The consolidation loan program was created years ago by the Congress to address, among other things, rising default rates in the college loan program. Providing a fixed interest rate has been an important and widely popular financing tool for helping students manage their debt, which in turn, protects taxpayers from absorbing the costs of defaulted loans. College graduates who take advantage of the fixed rate offered in this worthwhile program know to the penny their monthly and yearly financial obligation and can budget accordingly. This forward planning - which should be encouraged and rewarded - removes the barriers student loan debt presents to those college graduates, especially those who want to work in the public and non-profit sectors of the economy. As underlying student loans move to a variable rate formula, I believe it becomes even more important to preserve a fixed rate financing option for students.

Finally, I am eager to work with my colleagues to reduce regulatory red tape and burdensome, ineffective regulations that currently exist in higher education. Too often, the compliance costs associated with federal regulations increase administrative costs for our nation's institutions of higher education. It is my hope that the reauthorization will eliminate unnecessary paperwork and simplify burdensome requirements. H.R. 4283 makes many laudable steps in that direction, however, at the same time, it establishes several new reporting requirements that I fear may be a step backward from the stated goal.

As we look toward reauthorizing the Act in a way that promotes increased access, accountability and fiscal discipline, I want to encourage all of the individuals involved in this debate – including the various institutions of higher education, students, and different associations – to work with us in achieving the best outcomes so that the programs can continue to serve the needs of all students. I again want to thank the Chairman for this hearing and pledge to work closely with the Chairman and my committee colleagues to ensure that the Committee's legislation expands access and opportunities for all students.

Statement of Hon. Charlie Norwood, a Representative in Congress from the State of Georgia

Mr. Chairman, I thank you for holding today's hearing on the *College Access & Opportunity Act (H.R. 4283)* to reauthorize the remaining portions of the Higher Education Act (HEA) including Title IV, which deals with student aid. I strongly believe this legislation represents the best efforts of this Committee to modify student financial aid policies to increase current and future students' access to federal funding in a fiscally responsible manner.

Mr. Chairman I applaud your efforts, as well as those of my good friend Mr. McKeon, because unless we do something to remedy current law, many low and middle-income students face the possibility of being denied access to a higher education in the very near future. As you know, GAO has warned that the current financial aid loan consolidation plan, which currently provides billions in subsidies, will explode in coming years. H.R. 4283 restores fairness to our student aid programs by ensuring that federal education aid goes to the current and future students who need it most, rather than higher income graduates repaying their loans. By remedying this inequity, the 108th Congress can prove to American families that we are serious about addressing the skyrocketing cost of college tuition by ensuring the availability of federal funds to those who need it most.

Among the highlights of this legislation are the provisions that strengthen Pell Grants, reduce red tape for students and graduates and remove barriers for non-traditional students. In addition, the legislation provides more information to consumers on the costs and accreditations of colleges. By switching the consolidated loan program from a fixed to a variable interest rate, we accomplish these important goals while maintaining the benefits of the loan program.

Simply put, this bill is about helping those who need it most. The American people's taxpayer dollars are better spent helping folks earn a college education, not graduates who are already educated and have an ability to earn a wage. The federal government doesn't need to pick up the tab on their loans in the form of subsidies that cost billions to maintain. Current and future students are the ones who need it most. We have a choice here to make. If we continue to subsidize higher income borrowers repaying their loans, we seriously limit the opportunities for those who need it most: current and future students.

Part of the mission of this Committee is to monitor the education level of the American workforce. Now, more than ever, we need to be encouraging as many students as possible to go on to college. This legislation encourages lower and middle-income students to "give college a try." H.R. 4283 will go a long way in increasing educational opportunities during a time when our economy demands a higher education level in the workplace.

Mr. Chairman, I believe the College Access and Opportunity Act will provide current and future students greater access to federal education aid while giving every American taxpayer a fiscally sound solution they deserve.

Thank you Mr. Chairman, and I yield back.

Statement of Hon. Raul M. Grijalva, a Representative in Congress from the State of Arizona

The Higher Education Act authorizes roughly $70 billion dollars a year, which directly impacts all of the (approx) 16 million students currently enrolled in undergraduate and graduate institutions. For such a vast program, I am disappointed that bipartisan initiatives were not explored for a program that effects millions of student every year. Though I have not endorsed the bill, Mr. Andrews has demonstrated that many Democrats are willing to take a middle of the road strategy for this reauthorization, yet this sentiment was not met with reciprocity on the other side of the aisle. Regardless of who is in the White House, or who holds the majority of Congressional seats, students will enter college every year in the millions. Their interests must come first.

The Republican bill is harmful to students in many ways, most notably by neglecting to increase Pell Grants, diverting federal funds to for-profit institutions, and lacking a real plan to reduce the overall cost of a college education.

HR 4283 fails to fully fund, or even increase the maximum Pell Grant. The maximum Pell grant for the 2002-2003 school year was worth $500 *less* than the maximum grant in 1975-76. This inaction falls at the time when millions of students are struggling to keep up with rapidly rising college costs. Pell is by far one of our most valuable tools in making a college education affordable for those with the most financial need. Without an increase, low income students are forced to accumulate a rising debt burden.

By far, one of the most harmful provisions in this bill is the creation of a single definition for an institution of higher education. A single definition would allow for-profit institutions to be eligible for all HEA programs. This would dilute resources presently available for public and private non-profit institutions and allow for-profit institutions to receive grant funding typically reserved for minority serving institutions and institutions that serve large numbers of disadvantaged students. For the first time, money that this reserved for institutions with a public interest mission that serve predominantly minority and low-income students will be available to for-profit schools. The republican bill pushes this change under the guise of increasing access to higher education for minority and low income students, yet federal funds would be diverted to for profit institutions with default rates that average two to three times those of public and not-for-profit schools.

As Congress looks at options in making college more affordable to all students without dramatically increasing the costs to the government, we must examine the costly subsidies that are granted to the rapidly growing student loan industry. For-profit lender advocates claim that the industry would be strained, ultimately reducing access to college if these subsidies disappear. In reality, the industry is too profitable for any business to walk away from. Lenders will continue to see a profit without these massive subsidies. We should examine options that would divert these unnecessary subsidies towards programs that directly help students who are in need.

While I have kept an open mind as I examine options that will make college more affordable, I will continue to insist that the focus will remain on students in need rather than greedy lenders and proprietary institutions.

Statement of Hon. Jon Porter, a Representative in Congress from the State of Nevada

Mr. PORTER: Thank you, Mr. Chairman, for convening this hearing on the committee's legislation to reduce the burdens and eliminate the roadblocks facing our students as they attempt to achieve post-secondary education. I also welcome our panel of witnesses today and thank them for their testimony on the impact of this proposed legislation.

This legislation could not come at a more appropriate time as America's high school graduates and their parents are facing the highest post-secondary education costs in history. By creating a more efficient system that provides greater benefits to those entering into, or still partaking in, post-secondary programs, the federal government can increase the access to college-level study for the students whose financial background requires the greatest assistance in attaining higher education.

As the link between successfully educating our students and their level of success in their careers becomes all the more clear, we must focus our attention on preparing students for academic success beyond the high school level, while simultaneously providing these students with the means for that success. Continued attention will be required to these important issues as the fundamental link between the classroom and the workplace continues to grow. In this sense, the provisions in this legislation that broaden the horizon of institutions open to federal post-secondary funding demonstrate a willingness to adapt to the realities of today's marketplace and to anticipate the needs and wants of our students.

The explosive population growth of southern Nevada provides a perfect backdrop for the need for these reforms. As highly skilled positions, like nurses and teachers, become more and more scarce, these kinds of communities rely on the federal aid offered students to pursue academic and professional careers in these schools. The nursing shortage in southern Nevada exemplifies this necessity, as many qualified applicants, desirous of entering nursing programs at the University of Nevada, Las Vegas, and the Nevada State College, are unable to because of the cost. This much needed reform will allow a greater number of students to enter the classroom and will provide them with the necessary funds to enter one of these much-needed professions.

Again, Mr. Chairman, thank you for holding this hearing on this important final piece of the Higher Education Reauthorization. I look forward to a productive meeting today and to continuing our work of providing educational opportunities to all Americans.

Question from Hon. Pete Hoekstra, Submitted for the Record

Please explain the primary sources of revenue and funding for your organization. What percentage of your budget is composed member dues? Please also include other sources that comprise more than 10 percent of your annual operating budget, including the approximate percentage contribution made by each alternative source.

Response of Jim Boyle, President, College Parents of America, Submitted for the Record

College Parents of America's primary sources of revenue and funding are member dues and partner fees.

Member dues are comprised of both individual and institutional monies. Individual members, generally parents of current or future college parents, pay an annual fee of $36.50, or may join for up to five years at a discounted price of $109. There are currently more than 1300 active individual members. Institutional members, generally comprised of colleges and universities (with a handful of school districts and/or independent secondary schools), pay an annual fee of $495. There are currently 68 active institutional members.

Partner fees are negotiated with companies who wish to serve the current and future college parent market, and who see College Parents of America as a viable partner for accomplishing their objectives. Current partner fees range as high as $90,000 per year to as low as $495, with a share of revenue gained through the partnership always part of the equation. There are currently 10 signed corporate partners, with several others in negotiation.

As of June 2004, approximately 40 % of total revenues this year have been derived from member dues, with slightly more than 60 % of that figure coming from individuals and the remainder from institutions. During this year to date, therefore,

approximately 60 of total revenues have been derived from fees paid by corporate partners.

Response of Dr. A. Dallas Martin, President, National Association of Student Financial Aid Administrators, Submitted for the Record

In response to Congressman Hoekstra's question, NASFAA Operating Budget for the 2003–04 fiscal year is $6,103,000.

The Association has seven primary sources of revenue and funding which are listed below with the percentage derived from each.

Association Membership Dues–50%
Association Conference Registrations–12%
External Advertising, Exhibitors, Sponsors–18%
Association Publications and Subscription–6%
Association Training Sessions and Materials–5%
Association Investment Income–5%
Association Development Activities–4%

If you need further information, please let me know.

Sincerely,

Dr. A. Dallas Martin

Response of Rebecca J. Wasserman, President, United States Student Association, Submitted for the Record

The Honorable Pete Hoekstra
United States House of Representatives
2234 Rayburn House Office Building
Washington, DC 20515

06/04/2004

Dear Representative Hoekstra,

The United States Student Association (USSA) is almost entirely funded by dues from membership campuses through their student governments. 59% of this year's operating budget comes directly from campus and state student association dues. The only other income item that is over 10% of our budget is the income received from our two annual conferences, our National Legislative Conference in Washington, DC and our National Student Congress held on a different college campus each year. These two conferences" combined revenue accounts for 24% of our income. Overall, membership dues and conferences account for 83% of our income.

I hope this gives some insight to the budget of our organization.

Thank you,

Rebecca J. Wasserman
President, USSA

Additional Statement of Dr. Dallas Martin, President, National Association of Student Financial Aid Administrators, Washington, DC, Submitted for the Record

Thank you for the opportunity to submit this supplemental statement to accompany the written statement I presented to the Committee on Education and the Workforce on May 12, 2004.

In my testimony, I stated that NASFAA approves of many of the H.R. 4283 provisions that improve the Title IV student aid programs and provide additional benefits for students. Among those provisions are the reduction in the loan origination fees for students in both the FFEL and Direct Loan programs; an interest-only two-year repayment plan option for borrowers who may have difficulty in meeting repayment obligations; the continued authorization of all of the time-proven Title IV student aid programs; the elimination of both the 30-day delayed disbursement requirement and the multiple disbursement requirement for schools with default rates of 10% or less; the clarification of the student aid rules on drug-related offenses; striking of the "tuition sensitivity" provision; and expanding of the use of program funds to promote financial and economic literacy.

We are especially pleased that equity among borrowers is provided in H.R. 4283 by adoption of variable interest rates for the federal Stafford loan programs, including consolidation loans. NASFAA also is pleased that the bill increases the annual subsidized loan limits for first and second year students in both the FFEL and Direct Loan programs. Finally, we note, with approval, that H.R. 4283 includes a proposal to modify the allocation of funds formula that is used to distribute federal funds to institutions under the campus-based programs. This proposal is a modified version of a recommendation that NASFAA advanced last year.

As I stated in my testimony, "...We recognize the Committee's charge to develop a revenue-neutral bill and appreciate the difficult choices that had to be made to focus limited resources on current and future needy college students rather than individuals who have completed their postsecondary educational experience. In an ideal world, we would like to address the needs of all individuals but with limited available funding, our highest priority is to ensure access and opportunity for current and incoming low- and middle-income students." It is in this spirit of ensuring student access and opportunity that I submit this supplemental statement suggesting improvements for H.R. 4283 that NASFAA believes will assist students and help financial aid administrators in the performance of their responsibilities. While we realize there are many other aspects of the bill that are of significant concern to us as well as to members of the broader higher education community, we have not chosen to address these issues in this statement. We would encourage the Committee to continue to work with our colleagues to address these matters. We also hope the Committee will give serious consideration to the improvements outlined in this statement to garner more support for the Title IV provisions of the bill from the financial aid community.

Pell Grants

Negative EFC. NASFAA strongly supports adding to a Pell Grant award the amount of any calculated negative Expected Family Contribution (EFC), not to exceed the cost of attendance and permitting students who qualify for the low-income by-pass (for TANF & General Relief recipients) to automatically receive an additional $750 in Pell Grant funding. NASFAA believes that the poorest of the poor—as evidenced by individuals with negative EFCs—should qualify for this additional Pell Grant funding. In the past, when parents' income was less than the allowances in the formula, a negative EFC was calculated in amounts ranging to negative $750. The negative amount was not actually funded; however, it enabled financial aid administrators to recognize that these families had a greater need for assistance and was used to rank the neediest students for purposes of packaging awards. To illustrate NASFAA's recommendation, a student with a negative $750 EFC, who otherwise qualifies now for a $4,050 maximum award, would receive a Pell Grant award of $4,800. We believe this change is very important to support needy students and that adoption of this proposal will greatly enhance the Federal Pell Grant Program's reach and usefulness.

Pell Grant Maximum Award Level. NASFAA recommends that the Federal Pell Grant authorized maximum be doubled from current levels and that the program be established as an entitlement. This will ensure that the purchasing power of the maximum award is set at a level necessary to provide postsecondary access for students; will reduce reliance on credit financing; and will provide the assurances of guaranteed funding for prospective and current students and their parents. While we realize the chances for enactment of a Pell Grant entitlement are not favorable at this time, NASFAA believes the Congress must continue to signal that the program is important and is the basic building block for providing access for needy students. We believe that the authorized level of the maximum grant should be increased beyond the $5,800 in the bill. If it is not, this marks the first time that a reauthorization proposal in either House of Congress has not proposed any adjustment in the maximum Pell Grant since the program was created in 1972. The failure of this bill to increase the maximum Pell grant stands in stark contrast to the Committee's willingness to increase student loan limits. While the increase in loan limits is important and we applaud the step, it is even more important that grant aid be increased. At a minimum, the out-year authorization should be "such sums" if a specific number is not provided rather than freezing the authorized maximum award for all years at $5,800 as H.R. 4283 does.

Pell Grant Plus. NASFAA has serious concerns over the equity of this new policy direction, adding a merit component for Pell Grant recipients. The Pell Grant Program's primary focus has always been to assist needy students without regard to qualification other than financial need. While NASFAA supports efforts to encourage all students to pursue a rigorous course of study in high school, if this new provision is adopted, it will create inequities among needy students.

For example, we believe it is inequitable for a zero EFC Pell recipient to receive a full $1,000 Pell Grant Plus award and a 3,850 EFC recipient to receive a $400 minimum Pell Grant and then receive the same $1,000 Pell Grant Plus award. Our additional equity concerns relate to the fact that some students can participate in the program, while other students—even those who take the same rigorous high school program—cannot qualify for this bonus award because their state or local school district does not participate in the State Scholars program.

We have greater concerns regarding the legislative language authorizing Pell Grants Plus. Our primary objection to the current legislative language is the open-ended nature of the authorization. The bill essentially creates a merit-based entitlement within the Pell Grant Program by adding a provision stating that qualified individuals receive $1,000 without regard to the funding level in the Pell Grant appropriation, and by establishing eligibility only for individuals who "have completed a rigorous high school program of student established by a State or local educational agency in consultation with a State coalition assisted by the Center for State Scholars."

It is the combination of these provisions that troubles us and has the potential to first divert limited Pell Grant funds from being awarded strictly on the basis of financial need, and second, to dilute the funding that would be needed to increase the maximum Pell Grant award. If the Committee continues with plans to authorize the Pell Grant Plus program, NASFAA recommends that at a minimum its authorization be separated from the Pell Grant Program authorization.

Pell Eligibility Tied to Loan Default Rates. NASFAA recommends that the Committee eliminate current statutory provision (Section 401(j)) mandating that schools that lose eligibility to participate in the FFEL or Direct Loan Programs due to high default

rates also lose their eligibility to participate in the Federal Pell Grant Program. We understand that as a result of this provision in the 1998 reauthorization, many schools whose primary missions are to provide educational opportunities for needy students were discouraged from participating in the federal student loan programs because of the risk of losing Pell Grant eligibility for their students. These schools should not be disadvantaged in their Pell Grant participation, especially since many such schools (particularly community colleges) have few borrowers, meaning that a few defaults could cause them to lose loan eligibility and subsequently lose Pell Grant eligibility. Consequently, students at these institutions who may need to borrow are forced to take out private label loans that do not have the same favorable terms and conditions that are offered under the federal student loan programs. Or alternatively, these students may be forced to work fulltime (while trying to carry a full academic workload) just to pay their educational and living expenses. Our recommendation will allow more schools to participate in the loan programs so that such working students can take out a modest federal student loan and reduce their hours at work in order to devote more time to their studies.

Federal Supplemental Educational Opportunity Grants

FSEOG Ranking. NASFAA recommends eliminating the lowest EFC order for awarding, but retaining the preference that FSEOG recipients also be Pell Grant recipients. We also recommend permitting schools to direct no more than 10% in FSEOG funds to other exceptionally needy students—who may be non-Pell recipients—as defined by the institution. This flexibility would allow financial aid administrators to target funds to the neediest students and to smooth the awarding procedures from year to year, for example, when an FSEOG recipient one year loses eligibility due to losing Pell eligibility because of the current law ranking requirements.

Part B and D Loan Programs

H.R. 4102. NASFAA endorses and strongly urges adoption of Rep. Robert Andrews' bill H.R. 4102, The Access and Equity in Higher Education Act because it is the most comprehensive approach to providing access to a postsecondary education through credit financing for our nation's citizens. We favor the Andrews bill because of its comprehensive approach, including the provision of increases for first-year annual borrowing limits to $4,000, to $6,000 for second-year borrowers and provision of a $10,000 line of credit for the rest of an undergraduate's career. H.R. 4102 increases subsidized annual loan limits to $10,000 for graduate and professional students, an increase that NASFAA believes is urgently needed. The Andrews bill also increases unsubsidized annual loan limits across-the-board and increases aggregate loan limits in alignment with the proposed increases in the annual limits.

The Andrews bill also totally eliminates the origination fee charged to borrowers, provides new flexible repayment options, and offers loan forgiveness for borrowers entering certain occupations. Importantly, the Andrews bill mandates variable loan interest rates for all loan programs and provides for an innovative need-tested consolidation loan interest rate to benefit borrowers with the lowest incomes.

Ability to Set Lower Loan Limits. In conjunction with the proposed increases annual loan limits, NASFAA recommends that institutions be permitted to set lower loan limits on a school-wide, class level, or academic program basis. It would be up to the school to decide to adopt a lower loan limit and what that limit should be. Adopting this provision will enable institutions to allow their students to borrow the increased amounts but also will provide other schools who wish to limit students' borrowing with an appropriate alternative. Further, this proposal will also help to minimize the federal government's cost in the loan program.

Aggregate Loan Limits. While we have already encouraged the Committee to adopt the loan provisions that are contained in H.R. 4102, we hope that as a minimum the Committee would increase the undergraduate aggregate loan limit to $24,500 to take into consideration the modest increases in annual loan limits for first- and second-year borrowers contained in H.R. 4283. It is unprecedented in an HEA reauthorization not to increase aggregate loan limits to account for increases in annual loan limits. Without an increase in aggregate loan limits; borrowers who need a fifth year to complete their baccalaureate degree will find they are $1,500 short of loan eligibility. Their only alternatives would be to drop out and work to fund the shortfall or to take out an alternative loan with terms less attractive than a Stafford loan.

Interest Rate Cap. NASFAA applauds H.R. 4283's provisions providing for variable interest rates. As I said in my testimony on May 12th, "we still believe that the change to a variable rate for all future borrowers establishes a system that will treat all borrowers more equitably." We strongly support, however, keeping faith with students in a 2002 decision with the passage of S. 1762. That legislation set a fixed interest rate for Stafford Loans at 6.8 percent and also continued the current methodology for determining lender yield that was scheduled to expire on July 1, 2003. NASFAA argued unsuccessfully at the time that interest rates should be maintained as variable but capped at 6.8 percent. That was the right decision then and still is now.

Direct Loan On-time Repayment. NASFAA opposes the provision in H.R. 4283 repealing the authority of the Secretary to reduce Direct Loan Program interest rates to encourage on-time repayment. This device is widely used in the FFELP industry and should continue to be made available to Direct Loan borrowers as well. Anything the Congress can do to encourage student loan repayment and prevent a loan default in either the FFELP or the Direct Loan Program is desirable.

Conforming FFELP And DL Repayment Options. NASFAA recommends that the more generous repayment options in the Direct Loan Program, especially graduated and extended repayment plans, be extended to FFELP borrowers to ease student loan repayments. We believe the Congress should make repayment options more attractive to all borrowers and, certainly, should not take away the more generous repayment options currently available to Direct Loan borrowers.

Automatic Deferment. Many borrowers who return to school do not realize that re-enrolling in school does not automatically place them in deferment. They don't always know that there may be additional paper work to make this possible. If a school were allowed to submit an automatic in-school deferment to the National Student Loan Data System (NSLDS), the lender would receive notification that the student has returned to school and could contact the student to determine if he/she wishes to continue to make payments or enter into a deferred status. This change would improve the current process and ensure that borrowers who return to school do not end up in technical default while waiting to file for their deferments.

Loan Certification Extension. NASFAA recommends that schools be given the authority to certify loans up to 30 days after the student's last date of enrollment. This recommendation would give schools the flexibility to deal with students who were unable to complete the loan application process prior to ceasing enrollment or whose anticipated resources that did not materialize.

Loan Proration. Stafford loan limits must be prorated if (1) the student is enrolled in a program which is shorter than one academic year, or (2) the student is enrolled in a program that is one academic year or longer but the individual student is borrowing for a final

period of enrollment that is less than a full academic year in length. The latter circumstance may occur when the program itself is not an even multiple of academic years (e.g., a program spanning three semesters where two semesters comprise an academic year, or a 1500-clock hour program where the academic year is 900 clock hours). It can also occur when the student is taking longer than the normal time to complete; for example, a student in a 4-year (8 semester) program needs one additional semester to graduate. In either case, loan limits for the student's final ("remaining") period of enrollment must be prorated with the maximum amount the student may borrow directly related to the number of credit or clock hours for which the student is enrolled. Proration of loans for remaining periods is complex and burdensome to administer. It also creates hardship for students who have already incurred at least one year's worth of educational expenses and have need for a greater amount than proration currently allows. Retaining loan proration only for programs that are less than an academic year in length most effectively targets borrower populations that are more likely to find repayment of higher loan debt difficult.

Release Of Student Loan Information For Marketing Purposes. NASFAA recommends prohibiting lenders, guaranty agencies, secondary markets, credit bureaus and/or servicers from releasing and/or selling student information for any purpose not related to the processing and servicing of student loans. We urge that you include strong language in the statute to prevent the use of student information for anything other than the disbursement and collection of student loans. Some borrowers are receiving certain reduction benefits for their loans in exchange for permission to a lending entity to release or sell, for example, their E-mail address to parties outside the student loan processes. NASFAA recommends prohibiting this invasion of privacy in the guise of providing some minor benefit. Student information should only be used in the processing and servicing of student loans and not for marketing of other lender products and/or services.

Disclosure of Borrower Benefits. NASFAA recommends requiring lenders, holders and loan servicers to fully disclose borrower benefits to individual borrowers and potential borrowers in clear and easy to understand language. In addition to outlining student rights and responsibilities, all potential repayment options and benefits must be provided, including statistics on how many borrowers actually benefit from each option and benefit. Borrowers many times do not understand the type and scope of benefits available to them. They may believe that they are entering into a repayment program that will provide them flexibility but in the long run costs them more money and is more restrictive than another option.

Uneven Disbursements. NASFAA recommends that schools be allowed to request uneven disbursements during a loan period for both undergraduate and graduate level loans. Students often have significantly greater expenses in some terms than in others. With even disbursements they may be unable to meet their expenses in some terms, yet have excess funds in others.

Federal Work-Study

Community Service. NASFAA strongly supports the notion that all members of the higher education community should participate in community service activities that will benefit the nation and engender in all a sense of social responsibility and commitment to the community; however some postsecondary institutions have difficulty meeting the current 7% requirement to expend Federal Work-Study funds on community service. For this reason, NASFAA recommends expanding and clarifying the conditions under which the Secretary may grant a waiver of the utilization of Federal Work-Study funds for community service. Further, we also favor allowing those schools that can certify that ten percent of their student body is involved in community service to be exempt from any FWS community service spending requirements activities. Because many schools have a strong commitment to community service and incorporate it into their institutional philosophies and program structures, and because we believe incentives to grow community service initiatives are more productive than mandates, we recommend recognizing the efforts of schools that are successful in this regard. Recognizing that the development and nurturing of exemplary community service programs, even in the absence of JLD participation, is very important, NASFAA recommends encouraging such activity via the creation of an annual model community service program award to be given to schools that exemplify the best of community service.

Federal Perkins Loans

Endowment Upon Termination Of Perkins Participation. For many years, schools have received a minimal amount of new money for the Federal Perkins Loan Program (based on available appropriations and the funding formula) and rely primarily on repayment funds to lend to new borrowers. Some of these schools may now find that the needs of their students are satisfactorily being met through Stafford Loans; however, the school may have a greater need for FSEOG and FWS. Under current provisions, if a school determines that it no long wishes to participate in the Federal Perkins Loan Program, it must assign all of its loans to the U.S. Department of Education and return the federal share of the cash balance in the fund. Under NASFAA's recommendation, a school that terminates participation in the Federal Perkins Loan Program would be allowed the option to collect its outstanding loans, retain the funds to establish an FSEOG/FWS endowment, and use the proceeds from the endowment solely for FSEOG and/or FWS awards. Schools would maintain a vested interest in the collection of their outstanding Perkins Loans. Schools would also have an incentive to invest the endowment funds at rates equal to or greater than the current 5 percent interest rate. (Currently schools are required to lend out the repaid funds as soon as possible.) Earnings from the fund would expand the amount of federal grant and work-study funds for students without any additional federal appropriations. Since these schools would no longer qualify for an annual federal Perkins allocation, increased FCC would be available to those schools that wish to remain in the Federal Perkins Loan Program and the federal government would not have to expand its collection operations to absorb reassigned Perkins Loans.

Regaining Title IV Eligibility. NASFAA recommends allowing a defaulted borrower who voluntarily makes all past and currently due payments on their outstanding Perkins loans to regain eligibility for all Title IV programs. Currently a defaulted Perkins borrower who voluntarily makes all past and currently due payments regains eligibility only for Perkins Loans. This is inconsistent with all other provisions relating to regaining eligibility and makes administration of the programs unnecessarily complicated.

Need Analysis

Income Protection Allowance. The increase in the dependent student income protection allowance (IPA) is welcome; however, NASFAA favors the use of the Consumer Expenditure Survey (CES) to update the IPA tables for all students. Current law requires the use of the Consumer Price Index to update the underlying Bureau of Labor Statistics (BLS) data for the IPA tables. Using CES data for this update offers a more realistic and up-to-date market basket of goods which we believe will result in more realistic IPAs for all students.

Federal Means-Tested Programs/ Simplified Needs Test. NASFAA supports the inclusion of federal means-tested programs as a qualifier for simplified treatment. NASFAA's original recommendation called for a similar automatic eligibility for recipients of such benefits, since they have already passed a needs test. We also recommended the elimination of the Simplified Needs Test (SNT) and

Automatic Zero formula treatments due to the confusion caused by the tax form a family is "eligible to file" criterion. We note that H.R. 4283 retains these formula treatments without the "eligible to file" criterion.

Treatment of 529 Plans. NASFAA supports the modifications to the treatment of 529 savings plans that is contained in H.R. 4283.

General Provisions

Return of Funds. We assume that the Committee looked seriously at the body of our recommendations in this area and was unable to adopt more of them for reasons of cost. NASFAA supports improvements to the return of funds provisions, particularly the elimination of LEAP funds from the return of funds calculation, the clarification that a student may take one or more leaves of absence, the clarification on student grant repayments, and the extension of the timeframe within which schools must repay Title IV program funds.

Eligibility Upon Conviction Of Drug Offense. NASFAA applauds the clarification of Section 484(r) dealing with Title IV eligibility after conviction for an illegal drug offense; however, we continue to believe extraneous social provisions should not be part of the HEA. We believe reverting to Federal law in effect before the passage of Section 484(r) is the most just solution. We recommend at sentencing the judge—who after all is closest to the offense and knows all relevant circumstances—should make the determination about whether or not the convicted individual should lose Title IV eligibility or whether it serves justice to allow the individual to continue their education as part of rehabilitation.

IRS/FAFSA Data Match. While the section dealing with IRS/FAFSA data matches essentially is conforming in its nature, NASFAA continues to have concerns over the wisdom of passing an unamended H.R. 3613.

Student Disclosures. Section 486 of H.R. 4283 creates a significant number of new disclosures to prospective and/or current students that are likely to be confusing and of little use to most students and their families. While NASFAA believes that reliable and pertinent consumer information is important to helping individuals make informed decisions, we would question the value of several of the new requirements. While we do not object to all the new disclosures and find a number of them useful, such as the requirement during exit interviews that the consequences of loan consolidation are provided, we are concerned that the disclosure provisions of the bill are so far-reaching in scope to become burdensome; that they are so numerous as to result in costs to schools that outweigh the benefits; and that they are so detailed as to result in information overload to student consumers and their parents as to be rendered ineffective because few will wade through the pages and pages of information that these disclosures demand.

Overaward Tolerance. NASFAA recommends establishing a common overaward tolerance of $500 in Part G (General Provisions), applicable to the campus-based and Stafford programs. Currently, there is a $300 tolerance for the campus-based programs and a limited tolerance for Stafford Loans, applicable when an overaward results from the $300 tolerance in FWS only. Thus, the receipt of an additional scholarship may have a disproportionate effect on a student's awards. This recommendation seeks to ensure consistent treatment of students across the Title IV programs and simplify institutional procedures. The need for the increase from $300 to $500 is an absolutely necessary one since the last time this figure was adjusted was in 1992.

Ability to Benefit. NASFAA recommends expanding the Ability to Benefit (ATB) provisions to permit a student to meet the ATB requirement by successfully completing—with the equivalent of a grade of C or better—at least six units of college courses applicable to a degree or certificate. The ATB regulations were established to determine if a student who had not earned a high school diploma or its equivalent has the ability to understand and be successful in his or her program of study. Data from a recent experimental site project show that students who do not have a high school diploma or its equivalent but who pass at least six units of college courses have grades and retention rates that are equal to or higher than students with high school diplomas.

Acceptable Documentation. NASFAA recommends including the results of data base matches as acceptable in lieu of documents used to establish employment eligibility. The current practice requires the collection of copies of social security cards, alien registration cards, citizenship documents, or passports even though citizenship, social security and INS matches are performed in the application process. NASFAA's proposal would vastly simplify this process without compromising the law's intent of verifying identity and eligibility for employment.

Grant Repayment Upon Death. NASFAA recommends eliminating the liability of a student's estate or family to repay a grant in the event of a student's death. Currently, loans, including PLUS loans, may be forgiven in the case of the death of a student. Under current statute this forgiveness does not apply to the repayment of grants under similar circumstances. While such cases are rare, NASFAA believes this compassionate treatment should be extended when a student dies and has a grant repayment pending.

Loan Counseling. NASFAA recommends requiring Part B lenders or guaranty agencies and the Department of Education under Part D to perform all statutory loan-counseling activities, unless the school elects to perform these duties in whole or in part. Further, we recommend that the HEA statutory entrance and exit counseling be performed by lenders (including ED for the Direct Loan Program), or by guaranty agencies on behalf of lenders. Schools would be able to select the lender(s) or agency(ies) or combination of those entities, or the Department of Education under Part D, to perform these counseling activities. Schools also could provide such services on their own, either in whole or in part.

Quality Assurance Programs and Experimental Sites. NASFAA believes that both the Experimental Sites and Quality Assurance Programs (QAP) authorized in Section 487A are valuable programs and proposes the addition of legislative language to ensure that participation in each program is voluntary and that diversity among postsecondary institutions selected is a priority of the Secretary. NASFAA recommends authorizing the Secretary to select institutions for voluntary participation in QAP and Experimental Sites. Further, we recommend requiring the Secretary to evaluate the results of these programs and Distance Education Demonstration Project and recommend appropriate changes to law and regulation based on the successful components of those programs. These programs have been in existence long enough for the Secretary to draw conclusions about what is working and what is not. If experiments prove successful, these experiments should be models for modifying the law for all institutions. NASFAA recommends that continued experimentation be broadly focused and not subject to any limitation, such as a focus on verification. Experimental sites should be true experiments for new ways of administering Title IV programs and not seen just as regulatory relief or selective exemption from federal laws/regulations. Further, we believe that this section should not be used as a criterion for participation in any activity or program authorized by this title.

Campus-based Program Transfer Of Funds Authority. NASFAA recommends expanding the authority of schools to transfer funds between all campus-based programs. NASFAA believes postsecondary institutions should have authority to transfer up to 25%

of funds in one campus-based program to another, rather than the more limited transfer authority in current law. Additionally, given the small appropriation for new FCC in the Federal Perkins Loan program, this expansion of authority to transfer funds would be extended to permit transfer of 25% of annual loan collections to FSEOG or FWS. NASFAA believes this is a common sense change that provides administrative flexibility allowing schools to make decisions according to institutional and student needs and such total flexibility to move campus-based funds among all programs is a highly desirable policy change. This change would not increase campus-based program appropriations or increase allocations to individual schools.

Liabilities Tolerance. NASFAA recommends establishing a tolerance for the assessment of liabilities connected with audit and program review exceptions. Any institution with procedures in place that are in compliance with Title IV requirements may still experience a limited amount of human error that does not indicate any pattern of incompetence, fraud, or abuse. Therefore, the law should allow nominal tolerances to account for such simple error.

Liability Waiver. NASFAA recommends establishing a waiver of liability resulting from unclear, conflicting, or incorrect guidance from the Department of Education. The complexity of student aid administration is sometimes reflected not only by error on the part of institutions but also error on the part of the Department. We believe institutions should be held harmless when the Department errs.

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In conclusion, we wish to thank the Committee for the positive provisions in H.R. 4283 and for seeking our comments on this legislation. NASFAA looks forward to working with you and the other members of the Committee as you work to move this legislation forward. We would be pleased to provide any additional consultation and/or specific legislative language that would be helpful to you in addressing the issues that we have outlined.

Letter from Michael Grayer, Recent Graduate, Virginia College, Jackson, Mississippi, Submitted for the Record

Mr. Michael Grayer
149 Sharon Hills Drive
Jackson, MS 39212

May 14, 2004

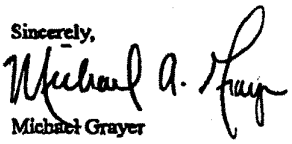
The Honorable John A. Boehner
Chairman
Committee on Education and the Workforce
United States House of Representatives
Washington, DC 20515

Dear Chairman Boehner:

Thank you for inviting me to testify before the Education and the Workforce Committee on Wednesday, May 12, 2004. I am writing to clarify the response I gave to your question regarding my student loan burden. I would like to unequivocally state for the record that my student loans are in repayment and those payments are manageable. My monthly payment is $76.85. However, each month I am paying $100.00 in order to pay them off as soon as possible.

As an individual who hope to return to college in the near future to continue my postsecondary education and earn a Bachelor's degree, I am supportive of the loan provisions in H.R. 4283, the College Access and Opportunity Act of 2004, that will help current and future students. Please do not hesitate to contact me if you have any questions or if I can be of assistance to you in any way.

Sincerely,



Michael Grayer

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