NDSLC
National Direct Student Loan Coalition

May 31, 2012

David A. Bergeron
Deputy Assistant Secretary for Policy, Planning and Innovation
Office of Postsecondary Education
Washington, D.C.

Re: Docket ID ED-2012-OPE-0008

Dear Mr. Bergeron,

Thank you for the invitation to provide written testimony regarding issues that should be considered for action by the negotiating committees to proposed regulations for the Federal Student Aid programs under the Higher Education Act of 1965, as amended (HEA).

I write to you on behalf of the National Direct Student Loan Coalition (NDSLC), a grass roots organization of practicing financial aid administrators. The NDSLC is dedicated to the improvement and strengthening of the federal Direct Loan Program and supports institutions and their students who rely on the federal financial aid programs to make their education a reality.

This testimony will focus on five distinct areas that we urge the Secretary to consider when selecting regulations to submit for negotiation:

- Curbing Fraud and Abuse
- Enhancing Electronic Options for Disbursement
- Reduced Administrative Burden
- Seamless Front End for Loan Servicing
- The Perkins Loan Program

Curbing Fraud and Abuse

We support the recommendations in the report by the Office of the Inspector General regarding the additional safeguards necessary to document the identity of students participating exclusively in online education programs. As noted in that report, the admissions process in more traditional programs collects information that verifies the identity and credentials of a student. Establishing regulatory expectations for student identification in the online sector is essential to assure that the legitimate student population that needs this educational resource has access. Other areas unique to this sector where regulatory requirements are advisable to reduce fraud and abuse include:

- Establishing reasonable allowances for education expenses appropriate for this sector; and,
- Requiring processes to monitor and verify individual participation in online course work

Disbursement Options

Disbursement using electronic funds transfer is widely used on many campuses. This process generates cost savings for institutions and can be more timely and convenient for the student. Use of debit cards to access funds or in lieu of EFT presents opportunities and challenges and regulatory guidance should focus on student needs, security, transparency and accountability.

- Students should be able to decide between electronic options for receipt of funds
- Access to funds should be convenient and not be limited
- Funds should be available without a fee
- Institutional relationships with the debit card provider should be disclosed
- Guidance should prohibit inducements for the institution from the service provider

Given the rapid rate of technological advancement, regulatory guidance in this area should be drafted to accommodate new technologies as long as there are appropriate safeguards and no student fees.

Reducing Administrative Burden

The current process used to request and report on utilization of HEA Title IV campus-based funds, the FISAP, would benefit from re-engineering for these reasons:

- Most of the data required is currently available in other Department of Education data systems
- Much of the data is not relevant in light of current funding levels and the current allocation formula
- Categories of information collected are out of date and provide little value for analysis by the Department or schools

A review of the process to collect data that is meaningful and not available from other sources is long overdue.

Consideration for performance-based regulations presents the opportunity for reducing administrative burden for institutions while simultaneously improving outcomes. There are currently important public policy goals that could be targeted as performance measures such as reducing average debt at graduation, reducing institutional default rates or making significant improvement in graduation and/or retention rates. Examples of regulatory relief in areas where regulations are burdensome, of questionable value or where institutional flexibility would be desirable are:

- Loan proration for students completing the final term of a four year degree program—this requirement reduces available resources when students are very close to achieving their goal
- Entrance loan counseling—meaningful counseling can be offered at more strategic times when it is proven to be more beneficial for borrowers
- Additional flexibility in transfer of funds between SEOG and Work Study
- Requirements for Awarding SEOG—institutions can determine how to best serve their neediest students
- Increased flexibility that would allow a student to authorize use of refunds for prior year charges and other incidental charges such as parking tickets or library fines
- In cases where a check would be issued for a small refund ($10 to $25) to a student, the institutional option to roll the credit balances forward to apply to future charges or include with a subsequent refund

Few graduate students receive need based funding now that the interest subsidy on federal loans has been eliminated. Though income data is necessary for some graduate students who are eligible for work study or Perkins, could skip logic could be used to eliminate all income questions for graduate students who are not eligible for or requesting consideration for these need based programs? This would simplify the application process for graduate students.

Seamless Front End for Loan Servicing

Students continue to be confused by who services their Direct Stafford Loan. While they may look up the name of the servicer in NSLDS, the reality is that many do not take this extra step. We feel that the technology exists to have one point-of-entry into Federal Loan Servicing where a student logs into the system and is automatically re-directed based on which servicer holds the loan. The same could be accomplished with a toll-free number that asks the student to log in and then re-directs the call to the appropriate servicer. There is no reason a student needs to know the servicer to whom their loans are assigned. The IRS works likes this; tax filers are assigned to a private company, but we do not know to whom we are assigned. Since the Department can always link a borrower to a servicer, even the customer service surveys could be accurately matched without the borrower knowing who was servicing the loan. This service improvement has the potential to simplify the process for borrowers and reduce administrative burden for financial aid office staff who are spending increasing amounts of time assisting former students navigate the unnecessarily complex loan servicing environment.

Perkins Loan Program

The Perkins Loan Program has an uncertain future but represents a potential for allowing institutions to assist their needy students with loans under the more secure federal umbrella. President Obama has presented a plan for how that could be possible. We urge the Department to be creative in considering how regulations may be crafted to allow the Perkins Loan program to fit the President's vision within the context of negotiated rulemaking.

Thank you for the opportunity to provide suggestions for topics to be considered in negotiated rulemaking. On behalf of the members of the Coalition, we thank the Secretary for soliciting input for this important process. We would be happy to provide further detail about any of our recommendations and hope to participate in the negotiation process when the committee is convened.

Sincerely,

Margaret Rodriguez

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