Higher Education Loan Coalition Positions on College Affordability Act (CAA), H.R. 4674

The reauthorization of the Higher Education Act (HEA) remains a top priority of the Higher Education Loan Coalition (HELC). HELC applauds provisions in the CAA (H.R. 4674) that would strengthen borrower protections and eliminate duplicative regulations that negatively affect students. However, HELC is concerned with some provisions. Below is an outline of the Coalition's positions.

Provisions HELC Supports

- **Elimination of the origination fee. (Sec. 4302).** The CAA would repeal origination fees, which would provide students access to additional funding that would be directly applied to their education needs and not a percentage returned to the federal government. Additionally, the fee is confusing to students and adds unnecessary complexity to the loan process. Bipartisan legislation has been introduced over the last few years to eliminate such fees, which HELC has supported.

- **Elimination of Subsidized Usage Limit Applies (SULA). (Sec. 4302).** The CAA would repeal SULA, a burdensome and confusing concept to students and institutions that is counter to students seeking additional educational credentials to benefit their educational experience. Existing federal loan maximums (annual and aggregate) and Pell term limits already establish program caps without the punitive aspects of SULA. HELC supports the elimination of SULA in the CAA.

- **Strengthening the Pell Grant Program. (Secs. 4011-4016).** The CAA would make several important changes to the Pell Grant program, including increasing the maximum Pell award by $625, expanding Pell Grant lifetime limits to 14 semesters, and indexing the award to inflation. HELC supports these reforms to the Pell Grant program, which will expand access to the neediest students.

- **Elimination of the capitalization of interest on loans after forbearance or deferment. (Secs. 4102, 4103, and 4106).** The CAA would eliminate the interest capitalization during periods of forbearance and certain deferments for federal loan borrowers. HELC supports these reforms to help ultimately lower the cost of borrowing for students.

- **Creation of new accountability requirements for FSA. (Sec. 1031).** The CAA would improve servicer oversight at the Office of Federal Student Aid by creating new accountability requirements. The requirements would include: (1) increasing the oversight and accountability functions of the agency; (2) creating new requirements to the data sharing and data collection; (3) increasing coordination with the Consumer Financial Protection Bureau (CFPB); (4) replacing the Student Loan Ombudsman with a "Borrower Advocate"; and (5) creating an Enforcement Unit to investigate allegations of unfair practices. HELC appreciates these efforts in the CAA to help the agency address continued issues student borrowers face.

Higher Education Loan Coalition Positions on College Affordability Act (CAA), H.R. 4674

- **Reinstatement of subsidized graduate and professional student loans. (Sec. 4302).** Addressing interest accrual for needy graduate students is a priority for HELC, and we are pleased to see the CAA would reinstate subsidized graduate and professional student loans in the amended bill.

HELC's Recommended Improvements

- **Allow annual loan counseling. (Secs. 4608 and 4612).** The CAA would require institutions' exit counseling for students to include a summary of details on the balance of loans, explanation of grace period before repayment, and option to pay accrued interest before capitalization. It also would require institutions to provide annual loan counseling in an interactive format. While HELC believes these provisions are a step in the right direction, the Coalition thinks the Department of Education is best positioned to conduct such loan counseling, not institutions.

- **Simplification of loan repayment plan options. (Sec. 4302).** The CAA would streamline repayment options for future borrowers into two plans: a fixed repayment plan and an income-based repayment plan. It also would allow borrowers to refinance their student loans - even private student loans - into a federal refinancing plan when interest rates are low. HELC supports these provisions but is concerned that the new 10-year standard repayment plan would be more complex than the current plan. With no data behind the new plan, the increased complexity raises questions on how it would impact borrowers.

Additional Provisions to be Addressed in the CAA

- **Eliminate loan proration.** Borrowing is controlled by annual and lifetime loan limits. Currently, institutions are required to reduce loan eligibility by prorating in the final semester, when no other proration exists in a student borrower's college career. This final semester proration does not make sense and serves as a barrier to program completion. It should be eliminated as the CAA progresses.

- **Simplify Return to Title IV.** Students who withdraw prior to program completion are more likely to default. The current process for determining a student's financial responsibility for the withdrawal term is overly complex and often creates a barrier to students returning to school, especially in how the policy addresses charges due the school and non-passing grades. HELC believes an overhaul of this policy should be included in the College Affordability Act.

- **Use U.S Department of Education branding on all loan communications.** If all loan communications were under the familiar brand of the U.S. Department of Education, more borrowers would respond to loan repayment requests. Borrowers understand the role of the Department in the federal student loan program, but are wary of other entities claiming to be loan servicers and may be ignoring their outreach efforts as spam.