



Written Statement of

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On behalf of the Higher Education Loan Coalition
(HELCO)

Public Hearing
On the
Department of Education's Negotiated Rulemaking

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*Oral Comments Delivered by
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Good morning. My name is Chuck Kneple and I am the Vice President for Enrollment Management at Portland State University, and the current Chair for the Higher Education Loan Coalition.

I would like to thank the Secretary, the Department, and all of you specifically, for the opportunity to share my comments with you today.

As well as providing testimony relevant to the students at Portland State University, I also speak to you today on behalf of the schools in the Higher Education Loan Coalition, a grassroots organization of financial aid professionals working at institutions of higher education and dedicated to the continuous improvement and strengthening of the student loan programs.

Board members of the Higher Education Coalition have served as negotiators at numerous Negotiated Rulemaking sessions over the last ten years, and I hope and request that the Coalition be included as you plan for the sessions in 2021. We provide a balanced, student-centered approach to the negotiation process and can effectively represent all 5000+ colleges and universities who participate in federal loan programs.

My colleagues on the Higher Education Loan Coalition Board will be submitting written testimony to you on borrower defense to repayment, gainful employment, income-contingent repayment plans, and public service loan forgiveness program so I won't go into the weeds on those topics.

I would however like to talk a bit about loan counseling. While it was not listed as one of the likely topics for upcoming rulemaking, we encourage you to consider adding it. The current federal loan counseling requirements need a lot of work as there are no definitive studies that I've seen which can point to either entrance or exit loan counseling as having a positive impact on repayment rates, overall debt, or any other positive borrower metric.

Current student loan counseling needs to be transitioned to an annual process.

Now that prior--prior year federal needs analysis and the earlier FAFSA application dates are fully implemented, we believe that the existing FAFSA process could be enhanced to provide this counseling.

Current loan counseling does not effectively prevent loan default. In an FSA report from 2003 - 04 about the Alternative Entrance Loan Counseling Procedures Experiment, ED concluded that "It is hypothesized, however, that a relaxation in counseling requirements brings a higher potential for cost to the Federal government through rising default rates. However, institutions participating in this experiment - where institutions were permitted to try alternative loan counseling methods - for a period of time have shown a decline, sometimes by half, in their default rate."



The time period in which entrance counseling is administered (after the student has chosen a school and program), is typically too late to make significant cost-saving decisions. Information gleaned by going through entrance counseling in the summer before the first year of college is often forgotten, and sometimes changes by the time the student graduates. Students are less impacted by knowing their total loan debt than by the size of the monthly payment they are facing upon graduation.

We see loan counseling as a process rather than an event. It should begin when a student starts the college search process as a high school senior and culminate with what is currently termed exit counseling, a final counseling session where all new borrowing has ceased. Each step in the actual counseling should feature shorter, more streamlined messaging, ensuring the student borrower is not overwhelmed with too much information. Fortunately, the tools for what we propose already exist and simply need to be moved to different segments of the process.

Specifically, the Higher Education Loan Coalition recommends the following steps to more directly link loan counseling to positive borrower behavior:

1. Streamline entrance and exit counseling and provide the opportunity for students to complete loan counseling as an optional part of the FAFSA (as outlined above).
2. In an effort to streamline the process for students and schools, integrate the Annual Student Loan Acknowledgement requirement into annual loan counseling.
3. Since students move from school to school during their higher education journey, FSA is often the organization with the most complete picture of a student's enrollment and borrowing history. FSA should contact borrowers who have not graduated and not enrolled at an institution within a certain period of time. These students currently fall through the loan counseling cracks. Loan counseling should be a shared responsibility between the schools and the Department of Education.
4. Instead of waiting until a student actually withdraws from their college, institutions should be required to send exit loan counseling information (or something similar) to students who are in danger of dropping out.

In closing, I would like to thank you again for the opportunity to present this testimony on behalf of both Portland State University and the Higher Education Loan Coalition. Many of our members were the first schools to implement the Direct Loan program over 25 years ago and have years of expertise in operational and policy issues as well as compliance with the regulations for the program. The Coalition looks forward to participating in the negotiated rulemaking process that will occur later this year.