



National Association
of Independent
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Honorable Lamar Alexander
Chair
Committee on Health, Education,
Labor and Pensions
United States Senate
Washington, DC 20510

Honorable Patty Murray
Ranking Minority Member
Committee on Health, Education,
Labor and Pensions
United States Senate
Washington, DC 20510

Dear Chairman Alexander and Ranking Member Murray:

I am writing in response to the Senate Committee on Health, Education, Labor Pensions (HELP) request for comment on the paper, *Higher Education Accountability*, which was issued by Senator Alexander on February 1, 2018. The paper's release came just days before NAICU's 2018 Annual Meeting. This timing gave me the opportunity to make the paper available to approximately 300 private, nonprofit college and university presidents attending our conference, and gather feedback on the ideas it contained. My comments focus on the top-line input I received from NAICU member presidents.

With more than 1,000 colleges, universities, and associations as members, NAICU serves as the unified national voice of independent higher education and reflects the diversity of private, nonprofit higher education in the United States. Our member institutions include major research universities, church-related colleges, historically black colleges, art and design colleges, traditional liberal arts and science institutions, women's colleges, two-year colleges, and schools of law, medicine, engineering, business, and other professions. With over 3 million students attending independent colleges and universities, the private sector of American higher education has a dramatic impact on our nation's larger public interests.

This letter responds to two matters, Title IV eligibility and measuring the success of default rates, and highlights a NAICU proposal to reconfigure federal financial aid programs that would better benefit students.

Title IV Eligibility Based on Program of Study

First and foremost, NAICU presidents are concerned with the concept of moving in the direction of program eligibility for federal student aid, which they view as a path to upending the entire higher education enterprise. While this might have a certain logic when applied to job training programs, which currently apply to credential programs at private, nonprofit institutions, the concept turns the idea of equal access to higher education for low-income students on its head. In effect, students who do not have the means to pay for college would only be eligible to major in certain programs, making equal access regardless of income—the very premise of the Higher Education Act—an abandoned dream.

While the paper imagines such an approach could lead to varied pricing according to manageable debt level, the actual effect would be much more chaotic.

First, since most students access Title IV funds, particularly at institutions that are serving first-generation to college students, once a program is unavailable for Title IV students, it is likely to be discontinued for all students. Even if these programs were made available only to full-pay students,

how would eligibility be restored? There would no longer be any Title IV loan borrowers available to earn the institution a passing grade and a pathway back to eligibility.

Second, the paper envisions a reaction in which one response by colleges would be to reduce the price by major. Hypothetically, let's say a philosophy major would cost \$10,000 and an engineering major \$40,000? Wouldn't this have the unintended effect of pushing those with the least amount of resources into the majors with the least potential earnings, particularly when paired with congressional proposals to lower loan limits (thus more expensive majors could not be financed)? Simply put, a low-income student would not have access to the resources needed to pay for the high priced majors.

More troubling, though, is the specter of having majors on campus which are accessible based on wealth. There is no question that certain majors cost more for an institution to deliver. However, colleges traditionally offer most majors at nearly the same cost to all students. This gives students the freedom to pursue studies that are the best fit and correspond to their chosen education and career paths.

Finally, at a regulatory level, the idea of abandoning certain majors, creating new ones, restructuring faculty hiring to accommodate these changes, and sorting majors by pricing would be an unprecedented level of regulatory burden and federal intrusion. Recent work, such as the [Recalibrating Regulation of Colleges and Universities](#) report, done under the excellent leadership of the HELP Committee, is one of the few substantive steps ever taken by Congress to undo unnecessary regulation. That work would be seriously undermined by going to programmatic eligibility.

The Alexander paper also explores several different formulas for enacting this concept. Of special concern are formulas that would count any student who had not made at least \$1 in principal payment on his/her loans three years after entering repayment as a failure. This is particularly problematic during a time when Congress is considering charging students interest on their student loans while they are in school. Such a move would put all student borrowers with unmet need deeper into negative amortization upon graduation, even with no change to institutional quality, pricing, or student borrowing levels, solely because of the less generous loan terms and conditions offered by the federal government. Similarly, as the federal government proactively offers students more repayment options, those who avail themselves of income-based options will be more likely to be considered a "failure" under this construct.

Private, nonprofit college leaders are particularly proud of the diverse missions of their institutions. While our missions may be different, our unifying interest is in delivering an array of choices for students of all backgrounds. Some of our most successful graduates are those who enter public or community service. While they may not earn high salaries, they live lives that enrich our nation's social, cultural, and religious fabric. Our success in educating these individuals should not be measured on their wealth three years after graduation. In this regard, the House formula of counting as a success all students who are following federal repayment options, is far preferable than a formula that rewards the programs with the wealthiest graduates.

Even beyond the importance of service and loan terms and conditions, [The College Payoff: Education, Occupations, Lifetime Earnings](#) report by Georgetown's Center on Education and the Workforce, shows earnings for those with a college degree increase substantially beginning in their mid-twenties. So, while a three-year window may be appropriate for students in job training programs that provide a short-term economic boost, it could hinder those with advanced degrees even though the overall monetary benefit of their degrees is much higher.

Measuring the Success of Default Rates

An additional question raised by the paper is the continuing validity of default rates. The fact that few schools have recently been eliminated from Title IV may not be a good indicator of whether the measure is effective. Indeed, if the TRIAD is functioning correctly at the front end, then the fact that most institutions have satisfactory cohort default rates should not be surprising. It is worth noting that the paper states that a relatively small number of schools have lost program eligibility in the past two decades. However, cohort default rates did remove more than 1,000 schools from Title IV when first introduced. To assume a federal accountability measure is not working because institutions are actually adhering to the regulations and performing under the guidelines is nonsensical, and sets up a terrible standard of validity that will not serve students or taxpayers well.

Regarding student loan defaults, most defaulters ultimately repay their loans to the federal government. According to the FY 2019 President's Budget, the cash recovery rate (even when accounting for collection fees) ranges from 78-92 percent, depending on the loan program. This is not to say that default isn't a terrible fate for any student, nor does it ignore the responsibility institutions may play in this outcome. It is merely to say that when default payments are considered, the total cost of federal loans may be less than is implied when only looking at the loan volume in default. Therefore, the real cost to the taxpayer is much lower. This is one of many reasons why the federal government continues to make an overall profit on federal student loans.

In the end, several important policy aspects are getting lost in the discussions about institutional accountability. First and foremost, there is a great deal of federal accountability already in place. Accreditation is not a single thing. It is a life cycle of educational examination that reaches from the classroom to the boardroom and through the administration at every institution. Program participation agreements are not a single document. They are an underlying and intricate system of compliance requirements that encompass everything from the proper use of federal funds to ensuring consumer information and campus safety. Finally, for nonprofit institutions, there is an additional array of requirements from the IRS on numerous aspects of operations, including limitations on salaries, requirements on board oversight and institutional mission, and public reporting of expenditures.

Last year, in response to various ideas under consideration in reauthorization, including: 1) one-grant, one-loan, 2) incentivizing completion, 3) skin-in-the game, and 4) flexible time-to-degree models such as Year Round Pell, the NAICU Board of Directors tackled the question of whether aid programs could be reconfigured to build upon the joint responsibilities of institutions, students, and the federal government in access and success for low-income students. The discussion resulted in the development of NAICU's [Pell-Plus proposal](#).

Among other things, the Pell Plus proposal identifies a way to consider ROI for taxpayers for federal student aid (see chart). The proposal states that federal taxes due on the average earnings by a first-year college graduate are almost the same as the maximum Pell Grant for one year. In other words, helping students to complete college on-time greatly increases the value of the federal investment in terms of actual dollars collected through taxes. As you consider your continued desire to lessen regulation, incentivize completion, and keep students at the core of the federal HEA programs, we hope you will consider this proposal as a simple, but positive way to solve many of your reauthorization goals.

LOST EARNINGS FOR STUDENTS and Lost Revenue for the Federal Government for Each Additional Year in College, Class of 2015.

FIGURE 5

	Earnings	Federal Taxes
5 YEARS TO GRADUATE	\$50,219	\$5,740
6 YEARS TO GRADUATE	\$100,438	\$11,480

Source: First Destinations for the College Class of 2015, National Association of Colleges and Employers, 2016.

The public financing of higher education is a partnership among the federal government, colleges, and students. Each has a role to play. Each has differing, but intertwined, responsibilities. In the end, the purpose of the HEA is to make it possible for students to afford college and colleges to be able to afford to provide ALL students, regardless of income, a quality education. Piling more costs on institutions for purposes that do not directly benefit students, educational quality, or outcomes is not productive.

As always we appreciate your interest in the input of our nation’s private, nonprofit institutions on behalf of the students we serve.

Sincerely,



David Warren
President