POLICY TOOLKIT: TODAY'S STUDENTS

REFORMS TO MAKE HIGHER LEARNING MORE AFFORDABLE AND VALUABLE FOR PARENTS, ADULTS, WORKERS, AND ALL OF TODAY'S STUDENTS

higher learning ADVOCATES

> **Technological, economic and demographic changes are happening at breakneck speed, continuously raising the stakes for our postsecondary system. But this is a challenge we can't shirk. The higher education sector is not only ready for these reforms, our students deserve them. Today's students deserve a new and revised higher education law that puts students and quality back at the center. It is time once again for the nation's policymakers to fundamentally rethink the way we organize, finance and support higher learning. Through bipartisan cooperation, a hard-nosed look at the research, and an unwavering focus on students, that goal is well within reach.**
>
> -Julie Peller, *Executive Director of Higher Learning Advocates*[1]

BY AGE 32, YOUNGER WORKERS ARE CHANGING JOBS AS MANY AS 4x

Today's students are more diverse than any previous generation of college students: they're diverse in age, race, and income level. They're more mobile and may not live on campus. Most participate in the workforce, either full-time or part-time. Work and family responsibilities beyond the classroom—whether that is on-campus or online—often compete with the educational goals of today's students. Younger workers are changing jobs as many as four times by age 32, so lifelong learning and continuing education have quickly become the norm for most adults.

It's time to put the realities of these students at the center of federal higher education policy. But many existing federal postsecondary education and workforce policies date back to a time when most students went immediately from high school to a four-year university or a trade school upon graduation. Higher Learning Advocates developed the Policy Toolkit for Today's Students to help policymakers and leaders in higher education understand the growing disconnect between current federal policy and the needs of today's students and how federal policy can offer solutions.

Specifically, federal policy should encourage easier, more seamless transitions as today's students enroll and return to postsecondary education. Returning students and adult learners need updated federal policies in order to more easily access continuing education and learning opportunities and develop the necessary skills needed to succeed in the workforce.

Federal financial aid programs and policies—including Satisfactory Academic Progress rules, Pell Lifetime Eligibility Usage guidelines, and loan default regulations—must be redesigned to work better for today's students and their realities. This toolkit identifies critical barriers that exist to student success and proposes federal policy changes that will better serve all students of all backgrounds and walks of life.

[1] https://evolllution.com/managing-institution/government_legislation/putting-todays-students-back-at-the-center-of-federal-policies/

ALLOW RETURNING STUDENTS TO RESET THEIR SATISFACTORY ACADEMIC PROGRESS (SAP)

Thirty-eight percent of today's students are older than 25, and there are more than 31 million adults with some college, but no degree. Many of these students dropped- or stopped-out of school following a poor academic performance or not completing enough credits. Despite the demand for postsecondary education among adults seeking pathways to career and economic success, many will face an obstacle to re-enrolling and receiving student aid through a federal requirement called Satisfactory Academic Progress (SAP).

WHAT IS SAP?

SAP is a requirement set by institutions that establishes the criteria a student must meet in order to remain eligible for federal student aid, such as Pell Grants and loans. Typically, to meet SAP requirements, students must meet a minimum grade point average (GPA), or its equivalent, and complete a minimum number of credits or courses.

While institutions are responsible for setting SAP requirements, federal statute lays out the following guidelines for institutions to use:

- Qualitative standard: 2.0 GPA or equivalent by the end of second academic year;
- Quantitative standard: Minimum percentage of work successfully completed; or
- Maximum timeframe: Cannot exceed 150% of published length of undergraduate program in credits.

Most institutions use cumulative 2.0 GPA and 2/3 ratio of credits attempted vs. completed.[1]

HOW DOES SAP IMPACT TODAY'S STUDENTS?

If a student fails to meet SAP requirements, regardless of whether they've been continually enrolled or haven't been enrolled for a number of years, they cannot use federal student aid to cover the cost of their education. If a student has previously failed to meet SAP, they may be able to regain eligibility for federal student aid, but will likely need additional academic and financial aid counseling. A student in this situation may have to first cover their college costs out-of-pocket.[2] This inability to access federal aid can create a huge barrier for students seeking to continue their postsecondary education.

HOW CAN SAP BE IMPROVED TO BETTER SERVE TODAY'S STUDENTS?

Today's students may return to postsecondary education for a wide variety of reasons: their job or career requires additional skills or credentials; they are returning after taking a break to raise children; or they are finally going back to complete their degree after getting employment or saving enough money to pay for college. Regardless of reason, these students should be afforded a "reset" of SAP requirements after a certain period of time so they can once again access federal student aid to continue to work toward a degree or other credential and contribute to the workforce.

POLICY RECOMMENDATION:

SAP should be reset for students who have not been enrolled in any postsecondary education in the prior five years. To remain eligible after such a reset, students should be required to prospectively maintain a 2.0 GPA and complete 2/3 of credits attempted.

[1] https://capseecenter.org/wp-content/uploads/2017/04/Schudde-CAPSEE-breakout-2B-040617.pdf

[2] https://www.edvisors.com/fafsa/eligibility/satisfactory-academic-progress/

ALLOW FOR A PELL LIFETIME ELIGIBILITY USAGE (LEU) RESET FOR ADULT STUDENTS

One-third of today's students receive a Pell Grant, a form of federal student aid used for postsecondary tuition, fees, and related expenses. A student is eligible for a Pell Grant on a sliding scale based on financial need, cost of attendance, and part- or full-time enrollment status.

WHAT IS PELL LEU?

Federal law limits the amount of Pell Grant funds students can receive over their lifetime to the equivalent of six academic years (12 semesters) of Pell Grant funding—also known as your Pell Lifetime Eligibility Usage (LEU).

HOW DOES PELL LEU IMPACT TODAY'S STUDENTS?

Today's students are more diverse in age, race, and income and have different experiences and financial realities than students of the past. Twenty-six percent of students are parents. Forty percent attend school part-time, and fifty-eight percent work while in college. For some of today's students, the credits, credential or degree they earned within the time allotted by the Pell LEU does not hold enough value in the workforce. Many of these students need to obtain new credentials, very often without the ability to access Pell, in order to learn new skills or retrain for a new industry if their previous job has been displaced.

33%

OF STUDENTS RECEIVE A PELL GRANT

HOW CAN PELL LEU BE IMPROVED TO BENEFIT TODAY'S STUDENTS?

In today's workforce, lifelong learning and periodic upskilling has become the norm, as many adults will have to change jobs as many as seven times over a lifetime. To strengthen lifelong learning as a tool for promoting workforce participation, Pell LEU requirements should be reset after a period of time for students who otherwise would be eligible to receive a Pell Grant and require education in addition to their existing degree or credential. This change would benefit today's students by allowing them to receive the retraining, upskilling, or additional education needed to be successful in our 21st century economy and achieve upward mobility.

POLICY RECOMMENDATION:

Pell LEU should be reset for students who have reached the maximum amount of the Pell Grants, already hold a degree or credential, and have been employed in the workforce for the majority of the past ten years. A student who receives a Pell LEU reset will only remain eligible for Pell Grants for a maximum of four additional semesters' worth of credits.

MAKE FEDERAL STUDENT AID CALCULATIONS WORK FOR TODAY'S STUDENTS

HOW DOES A STUDENT'S AMOUNT OF FEDERAL STUDENT AID GET CALCULATED?

The Higher Education Act (HEA) includes a formula that is used to calculate the expected family contribution (EFC), or how much a student or his or her family can expect to to contribute to the cost of attending college. The student's EFC directly impacts whether they are eligible for a Pell Grant, how much aid they may be awarded, and whether an undergraduate student may be eligible for a subsidized student loan.

The formula used to determine a student's EFC includes many factors, from taxable wages and other income, assets, and benefits (such as unemployment or Social Security). Family size and the number of family members attending college during the application year also factor into the formula. The calculation treats students differently if they are dependent on their parents financially or a financially-independent student. It's important to note that many of today's students have a spouse or children who qualify as dependents.

47%

FINANCIALLY INDEPENDENT

HOW DOES EFC IMPACT TODAY'S STUDENTS?

The EFC is designed to measure the capacity of students and their families to contribute to payment for college education. While the policy was created with traditional-age students in mind, many of today's students have a very different path to higher education. Approximately 75 percent of college students today have at least one characteristic of a nontraditional student, such as being an independent student, having children, attending school part-time, or working full-time while in school. EFC contains different methodologies regarding income, savings and assets depending on whether a student is a dependent or independent student. For independent students, the formula methodology counts a greater percentage of their income, savings and assets as part of their total ability to contribute to their college education as well as provide for their family.

As a result, independent students appear to have higher family contributions, reducing their ability to receive a Pell grant or a subsidized student loan. This is especially difficult for today's students who have dependents or a spouse and must also shoulder the costs associated with sustaining a family.

HOW CAN EFC BE IMPROVED FOR TODAY'S STUDENTS

Students who face the costs of raising a family and may have existing debt from previous postsecondary experiences or other forms of consumer debt are disadvantaged by the current EFC. The EFC should be modified to better take the economic realities of today's independent students into account.

POLICY RECOMMENDATION:

Amend the EFC in the Higher Education Act to allow more accurate and generous exemptions for independent students and student parents. In addition, certain assets of independent students should not be included in EFC calculations, such as assets in 529 plans when students are also saving for their dependent's college education. Lastly, today's students should have the ability to easily appeal their EFC to have it reconsidered.

PROVIDE STUDENTS WITH LOAN DEFAULT WITH A SECOND CHANCE TO REPAIR THEIR CREDIT

Students should have a second chance to restore their credit and rehabilitate their default loans. Almost half of all students (47 percent) use federal student loans to attend an undergraduate postsecondary education program. The average federal student loan amount for those students is roughly $7,000, while the average cumulative loan for students pursuing a traditional degree in their fourth year is approximately $26,600.[1] Unfortunately, this data masks the experiences of the growing number of today's students, those older, adult students who attend college. Research shows us today's students have different characteristics: 40 percent of students attend part-time, and 38 percent of students with additional family, financial, or work obligations leave school in the first year.[2]

HOW DOES STUDENT LOAN DEFAULT AFFECT TODAY'S STUDENTS?

Among borrowers in the 2003–04 cohort, 45 percent of those who had never attained a credential and were not enrolled in 2009 had defaulted on a loan within 12 years. Among those who attained undergraduate certificates, the rate of defaulting within 12 years was 44 percent; for associate's degree recipients, it was 22 percent; and for bachelor's degree recipients, it was 8 percent.[3]

ACCORDING TO THE FEDERAL STUDENT AID OFFICE OF THE DEPARTMENT OF EDUCATION, STUDENT LOAN DEFAULT CAN HAVE SEVERE CONSEQUENCES[4]:

- The entire unpaid balance of your loan and any interest you owe becomes immediately due (this is called "acceleration").
- You can no longer receive deferment or forbearance, and you lose eligibility for other benefits, such as the ability to choose a repayment plan.
- You will lose eligibility for additional federal student aid.
- The default will be reported to credit bureaus, damaging your credit rating and affecting your ability to buy a car or house or to get a credit card.
- Your tax refunds and federal benefit payments may be withheld and applied toward repayment of your defaulted loan (this is called "Treasury offset").
- Your wages will be garnished. This means your employer may be required to withhold a portion of your pay and send it to your loan holder to repay your defaulted loan.
- Your loan holder can take you to court.
- You may not be able to purchase or sell assets such as real estate.

- You may be charged court costs, collection fees, attorney's fees, and other costs associated with the collection process.
- It may take years to reestablish a good credit record.
- Your school may withhold your academic transcript until your defaulted student loan is satisfied. The academic transcript is the property of the school, and it is the school's decision—not the U.S. Department of Education's or your loan holder's—whether to release the transcript to you.

WHAT DOES "REHABBING" A DEFAULTED LOAN MEAN?

If a borrower has a federal student loan, they can work with their loan holder to rehabilitate a defaulted student loan and bring their loan back into repayment status. Rehabilitation usually requires nine on-time monthly payments during a consecutive ten-month period. The loan holder sets the payment amounts, which are equal to 15 percent of the borrower's monthly discretionary income. If that amount is not affordable for the borrower, they can work with the loan holder to reach an agreement on an alternative amount. After successfully repaying nine installments at an agreed-upon amount over ten consecutive months, the loan will no longer be in default. Currently, students are afforded one opportunity to rehabilitate a federal student loan in default.

HOW CAN POLICIES ON REHABBING STUDENT LOANS BETTER SERVE TODAY'S STUDENTS?

Today's students should have the opportunity to rehab their federal student loans twice. Many borrowers who default are individuals who never obtained a degree or credential and fell into financial hardship more than once. These students should have the opportunity to rehabilitate their federal student loans two times throughout the life of the loan. In addition, incurring student loan debt and defaulting at a young age can impact a student's ability to borrow a federal student loan for their rest of their life, and borrowers who want to return to postsecondary education shouldn't be hindered by doing so because of default as the result of financial hardship. Borrowers who make bad financial decisions at a younger age should have an opportunity to restore their loan to good standing later in life, not just a single time at the same young age they made financial mistakes.

POLICY RECOMMENDATION:

Borrowers who have defaulted on a federal student loan should be allowed to rehabilitate such loan twice, under the same process and terms already set forth in statute.

[1] https://nces.ed.gov/programs/coe/indicator_cub.asp
[2] https://luminafoundation.org/todays-student-statistics
[3] https://nces.ed.gov/pubs2018/2018410.pdf
[4] https://studentaid.ed.gov/sa/repay-loans default#consequences

ENHANCE THE CHILD AND DEPENDENT CARE TAX CREDIT TO ALLOW ADULTS TO FURTHER THEIR EDUCATION

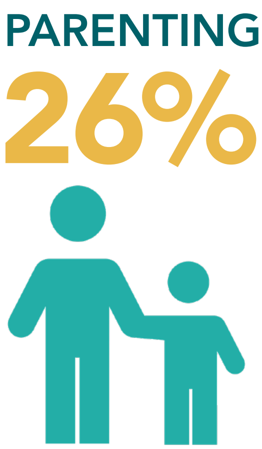
WHAT IS THE CHILD AND DEPENDENT CARE TAX CREDIT?

The Child and Dependent Care Tax Credit is a nonrefundable tax credit available to offset employment-related expenses of a taxpayer for the care of a qualifying dependent—including a dependent child under the age of 13, a dependent who is physically or mentally incapable of caring for themself, or a spouse who is physically or mentally incapable of caring for themself. Eligible expenses include physical care of the qualifying dependent and household costs—such as meals and cleaning.

HOW CAN THE CHILD AND DEPENDENT CARE TAX CREDIT BE IMPROVED TO BENEFIT TODAY'S STUDENTS?

The Child and Dependent Care Tax Credit was created to allow an individual with a qualifying dependent to maintain gainful employment while simultaneously providing care for their qualifying dependent. In practice, this means individuals with children or other qualifying dependents can claim the credit for expenses such as daycare or household costs they incur to care for their dependents while working.

Twenty-six percent of today's students are parents, and their dependents require the same care as those of employed parents. Whether a parent is working or furthering their education, the costs associated with care for dependent children can strain family budgets and have impacts on student success.



The Child and Dependent Care Tax Credit should be enhanced to extend the same tax benefits to individuals who care for a qualifying dependent and are enrolled in postsecondary education. This change would help students with dependent children afford the high cost of child care, which is almost as much as public college tuition in many parts of the United States, so they can further their education.

POLICY RECOMMENDATION:

Allow an individual with a qualifying dependent under the Child and Dependent Care Tax Credit to claim the tax credit for expenses while the taxpayer is attending postsecondary education, in addition to employment-related expenses.