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Subcommittee on Higher Education and Workforce Development

Improving Federal Student Aid to Better Meet the Needs of Students

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Chairman Guthrie, Ranking Member Davis, and members of the Subcommittee on Higher Education and Workforce Development:

Good morning. Thank you for inviting me to testify today.

I am honored and proud to provide this testimony.

I have been a financial aid administrator for the past 29 years and I am very passionate about the work I do and the services I provide to current and prospective students. I obtained my first financial aid director position in 1992, at age 24, and have held financial aid leadership positions at a proprietary college, two private universities, and two large community colleges since. I have been a member of the New Hampshire, Massachusetts, Florida, and Texas Associations as well as a member of the National Association of Student Financial Aid Administrators since 1990. I received a Citation of Appreciation award from the New York association in 2015 for my work with professional development. I have served on a number of NASFAA task forces, including the innovative learning methods and one grant, one loan. I have presented on a number of financial aid topics at NASFAA annual conferences and numerous state conferences over the years. My current institution, Houston Community College, serves approximately 40,000 aid recipients each year of which over 30,000 receive a Federal Pell Grant.

When I entered college in 1986, I was a first generation student coming from a very low income, single parent household. If it wasn't for financial aid, college would not have been an option and I would not be where I am today. I personally understand how frightening the financial aid process can be for students.

My testimony will identify some of the current complexities and resulting challenges that exist within the federal student aid system in hopes that we can move toward simplifying and streamlining the entire lifecycle of the financial aid process. I offer this testimony within the context of the window for change that the Higher Education Act presents, and I do so in the spirit of making the process more accessible and understandable for our nation's neediest students.

Paying for college is inherently complicated. The varying types of institutions, student demographics, and reasons for pursuing a postsecondary education, combined with the multiple funding streams for students and parents all work against simplicity in the student aid programs and cause a great deal of confusion for our students and families.

The challenges that students face with the current financial aid system can be categorized into four key areas:

1. The federal application process;
2. Consumer information;
3. The student aid programs; and
4. Student loan repayment.

## **#1: The Federal Application Process**

The discussion around financial aid simplification often centers upon the number of questions that are on the Free Application for Federal Student Aid (FAFSA). While that number can be stunning, 83 questions for independent students and 126 for students who must report parental data, the advent of more advanced skip-logic has assisted with shortening the time it takes students to complete the online application. Today, our lowest income students can bypass many of the questions on the FAFSA. Historically, students would invest about an hour to complete the FAFSA application, but today it takes the average student less than 15 minutes to complete once they have successfully set up their FSA ID. Even less if they are eligible to import their tax information directly from the Internal Revenue Service (IRS) through their Data Retrieval Tool (DRT).

In September of 2015, President Obama and Secretary Duncan announced via executive action, using their existing authority in HEA [Sec. 480(a)(1)(B)], that beginning on October 1, 2016, the federal application would use prior-prior year (PPY) income instead of prior year (PY) income. The change, supported by financial aid administrators, resulted in earlier availability of the application, faster delivery of aid to students, and reduced administrative burden for financial aid administrators. Students need this type of streamlining in all areas of the financial aid process.

Moving to an early FAFSA was a great achievement, but we should not stop there. The use of PPY opens the door for further streamlining and simplification of the FAFSA, including greater collaboration between the IRS and the Department of Education (ED). Our students, especially low income students, do not understand the complexity of the financial aid application process leaving us practitioners and customer service professionals with the daunting task of explaining it to students. My heart breaks when I have to explain to a student that they cannot receive their aid due to regulatory requirements that they did not understand or were not aware of during the application and enrollment process.

At Houston Community College, our communication plan consists of a robust set of short, succinct, and targeted messages. We have over 70 different email communications sent throughout the application and aid delivery processes. We employ 15 full-time and 10 part-time staff in our call center, have a detailed phone messaging system, over 50 staff covering 14 physical financial aid offices, and a social media coordinator feeding financial aid messages

through the various social media platforms. Regardless of these immense efforts, our students are confused and frustrated.

To help with the application process, a greater collaboration between the IRS and ED could result in a reduced number of questions having to be answered by the student and parent. The IRS DRT, with adequate system security measures in place to protect consumer privacy, could be expanded to include additional items from the federal tax return, giving schools and the federal government more information while at the same time reducing burden on students and families.

Related to the form itself, the National Association of Student Financial Aid Administrators (NASFAA) has developed a financial aid application model that sends student and family information through different pathways based on their predicted financial strength. For example, if a student indicates they are already a recipient of the federal means-tested programs such as food stamps or social security benefits, they go no further and are awarded the maximum Pell Grant. If a student demonstrates greater financial capability, they will be asked more detailed questions during the application process to accurately assess the family's financial strength. Such a model ensures that our lowest income students, those who find the federal form most daunting, have the shortest, most streamlined experience. It is models such as this that provide us with opportunities for further simplification of the federal application process.

One of the most difficult parts of the application process for students isn't necessarily completing the federal application form, but all of the extra work students must do to verify the accuracy their reported data. For example, this year ED implemented a verification process for non-tax filers that increases burden to families and increases the amount of time it takes for students to receive an award notification.

Here I offer an example of how this plays out at my institution. Houston Community College received over 80,000 federal applications during 2015-2016:

- 38,600 were selected for verification by the Central Processing System
  - 48% of our students needed to provide additional information before we could process their application
  - 18,100 students reported that they "Will Not File" taxes and were Pell Eligible, these are our lowest income students
- In addition, 13,700 applications failed the federal database matches and students had to provide additional documentation to meet the general eligibility requirements.

For the 2017-2018 processing year, these 18,100 students who indicated they will not file taxes will have to request additional information from the IRS before we can proceed with their application. It would be much more efficient if the IRS DRT could confirm the non-tax filing status during the application process, thereby reducing burden on both the students and the aid administrators and, eliminating delays in processing.

We practitioners believe that a more robust IRS DRT, along with the potential of collecting data electronically from other federal databases, would allow for an application process that is tailored to student and family financial conditions and would reduce the need for schools to constantly verify data submitted by students. The current application process has mechanisms in place that can cause a student to be selected for verification after they have already received aid for the year or after they have completed attendance for the year. If a student does not or cannot comply with late institutional requests for information, they are at risk of losing aid already received or losing future aid eligibility due to owing funds back to the federal government. This system does not promote student persistence and program completion.

Another example of a barrier to college enrollment during the application process is the requirement for students to be registered for selective service. This requirement has been around for a long time. At Houston Community College, we have a number of students who fail the selective service data base match and are required to obtain a letter from selective service and submit the letter to us along with documentation and explanation as to why they did not register with selective service when required. The aid administrator, in turn, has to make a determination, or professional judgment, as to whether the student should qualify for aid. In my opinion, it should never be our intention to deny our citizens the ability to improve their quality of life. However, some institutions, or even administrators within the same college, will deny the student aid eligibility while others will approve the student and process federal aid. This particular requirement causes confusion and frustration for students, creates barriers, and causes inequities among institutions and students. The purpose of the selective service eligibility requirement, along with other burdensome requirements for students (e.g. drug sale and possession), should be closely examined.

## **#2: Consumer Information**

The upcoming reauthorization provides a much-needed opportunity to focus on streamlining the consumer information that students and families receive. The massive amounts of consumer information that schools are required to provide leaves students feeling overwhelmed and unable to parse out the most important pieces. This deluge of information is a result of additional requirements being added with no apparent review of existing disclosures or eye toward streamlining.

There are over 65 consumer information topics that appear in over 140 different regulations. Schools must deliver this information to both prospective and current students, either on paper or electronically, during the application and enrollment process. These disclosures are provided at a time when students are completing the variety of steps required to accomplish enrolling at the institution, obtaining financial assistance through numerous different funding sources, selecting classes, securing housing, getting books and supplies, and--of course--preparing for academic coursework, among much more. Each individual process comes with a plethora of information and disclosures. Accessing higher education for many students and families is an overwhelming and frustrating experience.

At Houston Community College, over 31% of our credit students are first generation. These families have no experience with attending college, and the students truly do not understand the incredible amount of information being provided by the schools. Students and families struggle trying to decipher the difference between messaging that requires action versus messages for information purposes only.

I believe it would benefit students and families if Congress could conduct a thorough review of all existing consumer information requirements to identify those that could be streamlined, are duplicated, or are no longer applicable. The past five years have seen a slew of new consumer information requirements such as the College Scorecard, the financial aid Shopping Sheet, College Cost Comparison Worksheet, Gainful Employment, and many more. All of which were designed to help students and families and, to my knowledge, none of which were ever tested beforehand by that population. Yet, from a school's standpoint, I can't say that I've seen a significant increase in student awareness from these new requirements, even though schools have gone through significant efforts to remain in compliance with the regulations. What we have experienced is greater confusion and frustration from students and families.

Administrators throughout the Houston Community College System spend many hours tracking, collecting, reporting and disclosing information. The various reporting and disclosure requirements have different deadlines, disclosure methods, sources from which the information is obtained, and disclosure recipients. In early March, for example, Houston Community College sent out 306,000 communications to faculty, staff and students for one of the consumer information disclosure requirements. A week later, 25,000 of the emails were opened (8%) and only 516 people (less than .5%) actually clicked on the report itself. The offices or administrators responsible for complying with the consumer information requirements are often unclear, and schools spend hours of staff time trying to develop mechanisms to comply. Many hours are spent by information technology and institutional research staff to generate timely and accurate information. I feel this time would be better spent working on initiatives for student success and program completion.

The Gainful Employment (GE) requirements, for example, have created an incredible burden on schools and may jeopardize workforce programs that schools have worked closely with business and industry to develop. Schools are being required to label programs based on data that may not accurately reflect the quality or purpose of the program in terms of meeting the career goals of a student. Targeting programs that are designed to provide students with specific workforce skills is a mistake, in my opinion. Many low income students need financial aid funding for these workforce programs to secure good paying jobs. The current GE reporting and disclosure requirements do not take into consideration the enrollment and attendance behavior of our students, many who continue on for an associate's degree after completing the certificate program.

### **#3: The Federal Student Aid Programs**

The most important document for a student aid applicant is their award notification. This document informs the student aid applicant of the types and amounts of aid for which they may qualify. I use “may” because each program has different eligibility requirements and, based on student behavior and enrollment choices, the student may or may not receive those funds. There are a number of different grant, loan, and work programs that a student may see on an award notification and each has its own criteria and requirements. Some of the programs require additional action to be taken or paperwork that must be completed before the funding is made available to the student. All of this is confusing to the student and tends to change from one year to the next making it nearly impossible for a family to plan for the student’s entire college educational costs.

Last year, I served on a National Association for Student Aid Administrators task force called “one grant, one loan.” This concept could be a step in the right direction in terms of simplifying the types of aid available to a student as long as it is done in a meaningful way and policymakers recognize that a student’s financial aid award letter may never be as simple as one grant, one loan, and one work program. Existing state, local, and institutional grant and loan programs will continue to appear on a student’s award letter. At Houston Community College, a student could receive, along with their federal awards, a Texas Public Education Grant (TPEG), a Texas Education Opportunity Grant (TEOG), a Texas Work-Study award, and multiple institutional scholarships.

As Congress begins to examine the various programs, such as the campus-based aid programs, the flexibility those programs offer when allocating funds to students based on unique campus needs should be considered. In addition to flexibility, campus-based programs represent a shared partnership in which the federal government, schools, and students all have “skin-in-the-game.” For example, Houston Community College has a team of financial coaches located in the financial aid office that work with students individually, and in groups, on personal budgeting, understanding debt and credit scores, accessing community resources, sound spending, the importance of saving, and more. The campus-based programs (SEOG Grant and Federal Work-study) along with institutional and community programs, provide the financial coaches with resources to assist individual students so they can persist and complete their academic program. In my opinion, maintaining the strongest elements of the current programs is important.

At Houston Community College, over 1,300 students receive an average annual FSEOG award of \$800. Many of these students would not be able to attend without that vital funding or who would incur greater loan debt to obtain their college degree. I’m confident that even in a one grant, one loan, one campus-based model, provisions could be implemented that would retain local flexibility and institutional “skin-in-the-game.”

Traditionally, work-study has had a great deal of bipartisan goodwill, and as a practitioner, I cannot stress enough the importance of this valuable program in which the federal government,

schools, and students all have “skin-in-the-game.” In a Student Loan Report<sup>1</sup> released fall of 2016, Texas was ranked as the fourth highest state in terms of federal work-study spending. Houston Community College was ranked fifth in Texas for employing over 700 students who earned over 4 million dollars. Houston Community College employs hundreds of students into work-study jobs who gain valuable job skills and have greater success with persistence and program completion.

The Pell Grant Program is probably the most important aid program for our students at Houston Community College. 75% of our students on aid receive a Pell Grant and 67% receive a full Pell Grant. Preserving the Pell Grant program is of great importance to a large number of students who attend community colleges. The idea of creating greater flexibility in the Pell Grant program is strongly supported by the financial aid community. The loss of year-round Pell Grants a few years back had a negative impact on our full-time students and increased time to completion as some students were no longer able to attend our summer session. The original year-round Pell Grant requirements were cumbersome to administer and took us schools time to organize and administer. However, just as we were beginning to figure it out and make it work, it was eliminated. Offering Pell Grant funding year round allows students to stay enrolled continuously, get out of school faster than they normally would, and reduce their costs and debt burdens.

One idea I have heard mentioned is to provide students with a total amount of Pell Grant dollars available to them via a “Pell Well” of funds that a student could draw down over the course of their enrollment. This would work well at Houston Community College because our students exhibit non-traditional and unusual enrollment patterns. Having a more flexible structure with the Pell Grant would be a benefit to students attending school with a more non-traditional format.

Simplification of the loan programs is greatly needed. Obtaining student loan funding for students is the most stressful and complicated process of all the available programs. The concept of subsidized and unsubsidized loans is not understood by our students and families, many of which have never borrowed a loan. When they accept the two loans, they have no idea that one is going to cost them while they attend college and the other will be interest free. Students also do not understand why the amount they are offered is not the amount they receive due to the origination fees. Eliminating confusing origination fees would have a positive impact on students and speed up the processing of loans for schools.

Related to loans, schools need greater authority to help borrowers stay within reasonable levels of debt. I have seen students enrolled in programs that result in lower paying jobs, such as teaching, borrow in excess of \$100,000 simply because they “could” and not necessarily because they needed the funds to pay for their education. However, on the flip side, I have seen students who are enrolled in high cost programs, such as law or medicine, rely heavily on additional loan programs such as the Parent PLUS or Graduate PLUS. Students would benefit long-term from schools having the ability to use a holistic view when determining how much loan debt is reasonable to complete an educational program.

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<sup>1</sup> “Federal Work-Study Program: A National and State Analysis,” Student Loan Report.  
<https://studentloans.net/federal-work-study-national-state-analysis/>



The complexity of the current student loan programs makes it difficult for students to understand eligibility requirements and available loan amounts. Reauthorization is a perfect time to examine annual and aggregate limits based on grade level, dependency status, program of study, and attendance in final semester/term of a program and determining the need to retain such requirements. Loan origination fees, in its current structure, and the Subsidized Usage Loan Limits (SULA) requirements cause schools the greatest delay in the delivery of loan funds to students. Simplifying and standardizing eligibility requirements and determining the need to retain “SULA” requirements and origination fees could result in significant benefits to students and improve the communication and delivery of loan funding to students.

#### **#4: Student Loan Repayment**

Reauthorization provides an opportunity to make the repayment process more understandable and easier for students. According to the Congressional Research Service (CRS), there are over 50 loan forgiveness and loan repayment programs currently authorized, with at least 30 operational as of October 1, 2015.<sup>2</sup> Of these, there are nine widely available repayment plans. Understandably, this creates a great deal of perplexity for borrowers and those who counsel them.

Similar to the growth in consumer information, repayment plans have increased without the reduction or streamlining of those that already exist. While well-intentioned, the introduction of new plans and associated new eligibility criteria has turned the repayment process into a tangled web. Simplifying the repayment programs into just one or two plans and providing schools with the flexibility to increase student loan counseling and education efforts will help prevent students from going into default on their student loans. Having only one income-driven repayment plan and one standard plan would be beneficial to students and schools.

At Houston Community College, over 18,000 students borrow from the federal student loan programs each year; however, we are unable to require students to attend and complete annual loan counseling, making it difficult to educate and communicate student loan responsibilities, requirements, and repayment options. Financial aid offices would appreciate the authority to mandate additional loan counseling based on the needs of the institution and student borrowers.

Many of our students benefit from income-driven repayment options but are unable to navigate through the many programs to determine their best option. Houston Community College has been challenged with an 18% - 22% default rate over the past 5 years. We contracted with a third-party agency a year ago to increase outreach to students and assist them in determining the best option for repayment. The goal is to eliminate the sticker shock students experience when they finish school and get their first 10-year monthly loan amount. Our draft FY 2014 cohort default rate, which was released a couple of weeks ago, came in at 11.7%.

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<sup>2</sup> “Federal Student Loan Forgiveness and Repayment Programs,” Congressional Research Service.

Houston Community College also signed onto the White House Student Debt Challenge last year and committed our team of financial coaches to perform workshops and outreach activities to educate faculty, staff, students, and community organizations about the benefits of income-driven repayment options and public service loan forgiveness (PSLF). We know that the added outreach and innovative initiatives provided to assist borrowers with their many options have had an impact on our student borrowers, which is demonstrated through a significant decrease in our cohort default rate.

## **Conclusion**

I have seen the complexity of the student application process and the administration of federal financial aid programs increase greatly over the past 25 years. Although the Free Application for Federal Student Aid itself has been streamlined and improved incredibly from when I first applied for financial aid in 1986, the entire process from application to repayment has become an intricate puzzle that only a seasoned professional, like myself, can navigate and understand.

There are numerous opportunities for improvement, simplification, and consolidation. It is my hope that today's testimony will help you to understand the challenges our students are faced as they attempt to work through the process. Done in a deliberate, careful way, moving toward simplification and streamlining of the entire system will have a positive impact on students, families, financial aid administrators, educators, and the community.

We all know that there are still a very large number of students, young and old, that can benefit from a higher education but may not pursue the opportunities due to fear and frustration. This reauthorization of the higher education act provides us all with an opportunity to eliminate those fears and frustrations and improve a very complex system.

Thank you for your time and attention.