February 21, 2019

The Honorable Doug Jones
United States Senate
326 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Kamala Harris
United States Senate
112 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Elizabeth Warren
United States Senate
317 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Catherine Cortez Masto
United States Senate
204 Russell Senate Office Building
Washington, D.C. 20510

Dear Senators,

The Center for Responsible Lending[1] (CRL) appreciates the opportunity to provide ideas on how to address racial disparities in student debt and the broader challenges faced by students of color in college and career training. We appreciate your commitment to addressing racial disparities in student debt and the broader challenges faced by students of color in college and career training. CRL stands firm in the belief that any legislation seeking to remedy the student debt crisis and disparities in higher education should focus on the outcomes for those who have been traditionally shut out of this system: low-income students and students of color.

As you know, the growth of outstanding student loan debt over the last decade has been staggering. Today, more than 44 million people[2] carry over $1.4 trillion of outstanding student loan debt[3], an amount that exceeds all other types of non-mortgage loan debt. Two out of three graduates in the class of 2017 borrowed federal student loan debt to finance their education.[4] This phenomenon is especially concerning for communities of color as the existing wealth gap makes the burden of student loan debt particularly heavy for African-American and Latino communities. It is imperative to any policy making process to first

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[1] The Center for Responsible Lending is a non-profit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices, including student loan debt incurred as a result of fraudulent representations by higher learning institutions. CRL's views on student lending are informed by its affiliation with Self-Help, one of the nation's largest nonprofit community development financial institutions. Self-Help has provided $6 billion in financing to 70,000 homebuyers, small businesses and nonprofits and serves more than 80,000 mostly low-income families through 30 retail credit union branches in North Carolina, California, and Chicago.

[2] https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls. Reflects totals through the end of June 2018

[3] ttps://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf//HHDC_2018Q4.pdf

[4] The Institute for College Access & Success, *Student Debt and the Class of 2017* 1 (2018), https://ticas.org/sites/default/files/pub_files/classof2017.pdf. The report includes data only for those borrowers who graduated from 4-year degree programs at public and non-profit private colleges and universities as very few for-profit report data on what their graduates owe.

acknowledge the *de jure* racial segregation that American institutions of higher education were built on.[5] The results of legal segregation in higher education has created an inequitable legacy for communities of color. Families of color are more likely to need to borrow for higher education and in larger amounts. Following graduation, those who earn lower relative incomes often cannot make progress in repayment, leaving these families with little cushion to withstand future financial shocks which contributes to a higher likelihood of delinquency and default. In fact, recent research shows that, rather than helping communities of color build wealth, a college education deepens the wealth gap.[6] For example, young African-Americans take on 85% more student debt than their white counterparts for their education and that difference in indebtedness increases by almost 7% per year after leaving school.[7]

It is critical to note that delinquency and defaults on student loans occur disproportionately for students of color as well as for women. A degree is not a shield from racial disparities: African-American bachelor's degree graduates' default at five times the rate of white bachelor's degree graduates and are more likely to default than whites who never finish a degree.[8] Latino bachelor's degree graduates' default at twice the rate of their white peers.[9] Even those who can pay are struggling. Today, nearly half of African-American graduates with a bachelor's degree owe more on their undergraduate student loan after four years than they did at graduation, compared to 17% of white graduates and approximately 23% of Latinos.[10]

Women graduate, on average, with $2,700 more in student loan debt than men, and because of the gender pay gap, they earn about 26% less, so paying off their debt takes significantly longer. This is especially true for women of color. African-American women graduate with almost 50% more student debt than white and Latina women at 4-year institutions.[11] Approximately 57% of African-American women and 42% of Latina women who were repaying student loans reported that they had been unable to meet essential expenses within the past year compared to 34% of all women.[12]

While student loan debt is often seen as a Millennial issue, the crisis leaves no age group untouched. The AARP is increasingly concerned about student loan debt affecting the financial stability of older Americans.[13] Nationally, the median student loan balance of older borrowers increased by more than $1,000, and the total outstanding student debt held by borrowers over age 60 increased by more than 50

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[5] Pierre, 2012. History of De Jure Segregation in Public Higher Education in America and the State of Maryland Prior to 1954 and the Equalization Strategy. https://commons.law.famu.edu/cgi/viewcontent.cgi?article=1074&context=famulawreview.

[6] Houle and Addo, 2018. "Racial Disparities in Student Debt and Reproduction of the Reproduction of the Fragile Black Middle Class." *Sociology of Race and Ethnicity 1-16.*

[7] Houle and Addo, 2018. "Racial Disparities in Student Debt and Reproduction of the Reproduction of the Fragile Black Middle Class." *Sociology of Race and Ethnicity 1-16.*

[8] Brookings Institution, The looming student loan default crisis is worse than we thought, January 10, 2018, https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf

[9] Id.

[10] Brookings Institute, Black-white disparity in student loan debt more than triples after graduation, Oct. 2016, https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/

[11] American Association of University Women, Women's Student Debt Crisis in the United States, May 2018, https://www.aauw.org/research/deeper-in-debt/

[12] Id.

[13] Michael Stratford, Why the AARP is worried about student loans, Politico, June 7, 2018, https://www.politico.com/agenda/story/2018/06/07/student-loans-debt-aarp-000666.

percent between 2012 and 2017.[14] According to the Government Accountability Office, the increase in student loan debt among seniors has led to more seniors spending their would-be golden years struggling to make ends meet because of the federal government's ability to garnish seniors' social security income for repayment of federal student loan debt.

As a result of their need to borrow more, alongside targeting and financial deception by for-profit institutions and often abusive servicers, a disproportionate percentage of students of color and the majority of black students are unable to pay student debt and will default.[15] This derails their financial and personal lives and subjects them to harsh collection practices than can keep them from achieving the wealth gains promised by a college education. Meanwhile, their debt keeps growing due to unlimited interest accrual and no statute of limitations on student debt. Unless bold, new actions are taken, a generation will be trapped in debt undertaken to try to advance their lives.

Given these factors there is a real need for meaningful policy changes that help those most impacted by the student debt crisis. Specifically, the following:

- Preservation, streamlining, and improvement of income-based repayment plans and loan forgiveness;
- Protection of borrowers from aggressive collections and benefit garnishment;
- Statutory requirements to ensure loan servicers meet basic consumer protection standards and further statutory improvements to student loan servicing to help students pay off their loans;
- Strong accountability measures for predatory for-profit institutions, including closing the 90/10 loophole, making accreditation meaningful and effective;
- Increase and expand aid for Title III and Title V (Minority Serving Institutions);
- Require the Department of Education to enforce the Borrower Defense repayment rule and administer claims for schools that have closed; and,
- Reaffirm and strengthen the Gainful Employment Rule.

Affordability

Build a debt-free path for students

- Provide debt free college for all students, with a focus on a debt-free promise for low-wealth and first-generation college students.
- Guarantee that the debt-free college promise covers all expenses associated with college attendance – not just tuition. For many students and their families, tuition is actually affordable. It's the fees and living expenses that put college out of reach.
- A fully realized plan would target four-year college affordability. Two-year tuition is often already low at public institutions, and the majority of people can attend without borrowing. Instead, it is

[14] CFPB, Older consumers and student loan debt by state, https://files.consumerfinance.gov/f/documents/201708_cfpb_older-consumers-and-student-loan-debt-by-state.pdf

[15] Scott-Clayton, Judith. 2018. "The looming student loan default crisis is worse than we thought." Washington, DC: Brookings Institution. Available at https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf.

attending four-year college that necessitates borrowing and puts students and families deeply into debt.[16]

Increase, protect and expand Pell for future generations

- Increase Pell awards. Congress has consistently failed to increase the maximum Pell award even as the cost of college has skyrocketed. The maximum Pell award remains at less than $6,000 per calendar year, even though the average cost of tuition for even state residents at a public college is close to $10,000 per year. Higher Pell awards ensures that more students can attend college and graduate with significantly less debt, rather than large loan amounts that they will more than likely struggle to repay.
- Move Pell funding into the mandatory budget.
- Expand Pell access to DACA recipients and reinstate Pell access to incarcerated individuals.[17]

Student Debt Relief

Delinquency and default on student loans can have serious, long-term effects on borrowers. When a borrower defaults on a loan there are many impacts, such as a school may withhold academic transcripts, and eligibility for certain types of repayment and/or other federal aid will not be made available. Defaulting on a student loan harms a borrower's credit score, making it more difficult to access jobs and housing, as employers and landlords routinely conduct credit checks when assessing applicants. And not only that, interest continues to accrue and penalty fees can apply, so many borrowers end up owing more and more as their financial futures are increasingly threatened. Yet, default can be made avoidable in many circumstances by improving income-based repayment programs and servicer accountability. As noted above, addressing delinquency and defaults on existing student loans and improving income-based repayment programs and encouraging enrollment in them would particularly benefit borrowers and students of color, women, seniors, and servicemembers facing student debt.

Preserve and streamline income-driven repayment, expand loan forgiveness and discharge opportunities

The concept of income-driven student loan repayment has been and will continue to be essential to making college debt manageable for millions of borrowers. It is also beneficial to taxpayers-- income-based repayment reduces the incidence of default, thereby preserving taxpayer funds through reduced loses and collection costs. It should be a priority to resolve outstanding student debt through efficient, income-based repayment as often as possible so that borrowers can move on with their financial lives and contribute to the economy. The interplay between student loan payments and other major life investments and responsibilities is well documented.[18] Research from the National Association of Realtors

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[17] Oakford, Patrick, Cara Brumfield, Casey Goldvale, and Laura Tatum. *Investing in Futures: Economic and Fiscal Benefits of Postsecondary Education in Prison*. Georgetown Center on Poverty and Inequality Margaret diZerega and Fred Patrick, Vera Institute of Justice, 2019. Available at https://www.vera.org/publications/investing-in-futures-education-in-prison.

[18] Jacob Passy, "Why Millennials Can't Buy Homes," *Marketwatch*, Oct. 30, 2017 https://www.marketwatch.com/story/student-debt-is-delaying-millennial-homeownership-by-seven-years-201709-18.

shows that the usual student loan borrower delays the purchase of their first home by an average of seven years because of student loan debt.[19] Other consequences of debt include: delaying household formation, saving less for retirement, forgoing advanced training, delaying small business formation, and reduced job mobility. These impacts impede economic growth and increase the fragility of the middle class, making income-based repayment programs even more necessary.

Allow and encourage borrowers to make student debt payments based on 8 percent of discretionary income and then discharge any remaining balance after 10-15 years without incurring an unaffordable tax obligation.

- Consider a tax-free loan forgiveness and discharge of debt program after a borrower has made income-based payments for 10-15 years (10 years for public service enrollees, perhaps longer for other borrowers) at 8% of discretionary income. Such a program would not only leave students better off, it would improve our economy by freeing up income for productive purposes.[20] This is consistent with streamlined approaches that have been adopted by the mortgage industry after the foreclosure crisis to efficiently resolve distressed mortgage borrowers' needs through simple loan workouts and avoid the costly process of foreclosure.
- Institute auto-enrollment of borrowers in income-based repayments year over year.
- All loan forgiveness should be tax-free as is currently the case with disability discharges and Public Service Loan Forgiveness. The requirement to pay taxes when in an income-based repayment plan undermines the central purpose of these plans: to make debt manageable. Payments are already based on income and a formula that ensures that the debt is not unduly burdensome for the borrower. Paying extra taxes at the end of repayment simply substitutes one kind of debt for another and is harsh treatment of borrowers that have spent years repaying their student debts. It may also be worth considering the tax implications of income-based repayment and loan forgiveness for married students where both are carrying debt.
- Protect Public Service Loan Forgiveness (PSLF). Student borrowers that choose careers in public service such as policing, firefighting, teaching, public health nursing and many other essential fields, choose relatively low pay in exchange for serving the common good. It is only fair that their student debts be forgiven after 10 years of repayment. One option may be to offer forgiveness to this group of borrowers at 10 years, with a somewhat longer time-horizon for other income-based repayment programs, perhaps 12-15 years.
- Allow student loans to be discharged in bankruptcy under appropriate hardship circumstances, especially private student loans where income-based repayment is not typically available.
- Consider proposing resources to make independent counseling services available to students who carry debt pre- and post-college. The availability of housing counselors has been a valuable resource in the mortgage market, particularly during the foreclosure crisis, but students frequently lack access to a free independent, third-party that can help them address problems with their loans or decide on available repayment options. Funding for credit counseling for students could dramatically improve repayment and help students build financial stability earlier.

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[19] National Association of Realtors, Student Loan Debt and Housing Report, Oct. 2017, https://www.nar.realtor/research-and-statistics/research-reports/student-loan-debt-and-housing-report.

[20] The Levy Institute, *The Macroeconomic Effects of Student Debt Cancellation*, http://www.levyinstitute.org/pubs/rpr_2_6.pdf.

Protect borrowers from aggressive collections and benefit garnishment

In 2015, $66.7 billion of total outstanding student loan debt was owed by 2.8 million borrowers age 60 and older.[21] This is quadruple the number of older borrowers with student loan debt since 2005. For seniors, defaulting on student loan debt can be devastating especially those on a fixed income. Stop the practice of seizing Social Security income to repay student loans. Seniors dependent on Social Security are already facing a fixed income that is often insufficient to meet anything but their basic needs. Reducing that income to repay student loans unnecessarily pushes more seniors into poverty and inappropriately prioritizes paying student loan debt over necessities like medicine, rent, food and utilities.

Student Loan Repayment and Servicing

Servicers are notorious for putting borrowers into deferment or forbearance when income-driven repayment plans were more suitable and less costly for borrowers. This was reflected and well documented in the February 2019 Department of Education (the Department) Inspector General (IG) report. Additionally, documented complaints received by the CFPB, reflect a wide range of examples of student loan servicers misleading borrowers. Further problems arise from servicing errors such as incorrect information given about Public Service Loan Forgiveness or misapplying payments. These servicing errors are pervasive and devasting to borrowers who are making a good faith effort to repay their loans as they are able. But, with appropriate safeguards in place servicers can be held accountable and borrowers protected. To date, the Department has not addressed these failings, despite numerous reports demonstrating abuses by the student loan servicing industry.

Protect and affirm state actions to regulate the servicing industry

Despite claims of federal preemption, states play a critical role in ensuring borrowers can succeed in repaying their loans by protecting them against abuses by student loan servicers that hinder successful repayment. Currently, Connecticut, California, Illinois, Washington and the District of Columbia have taken important steps to extend consumer protections to their residents with student loans by enacting compliance requirements for servicers operating in their state. States such as Colorado, New York, Virginia, New Mexico, and others are likewise exploring ways to protect their residents against servicer abuses as well. As regulators of student loan servicers, states can prohibit misrepresentations, payment misapplications, and false credit reports. States can also enforce their consumer protection laws and protect residents from servicers who violate the law. As in other areas of consumer protection, state regulators have the framework and tools available to understand and confront abuses their residents' face by servicers. As an example, several state attorneys general (IL, PA, MS, WA) recently filed suit against Navient Corporation, the largest servicer of federal student loans, alleging that Navient pushes borrowers into deferment or other short-term plans rather than enrolling them in income-driven plans that would cap payment relative to their income. The Massachusetts Attorney General has sued PHEAA with similar concerns.

- Clarify that state laws regulating student loan servicers are not preempted. On March 12, 2018, the Department under the direction of Secretary Betsy Devos issued guidance stating that states

[21] https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201701_cfpb_OA-Student-Loan-Snapshot.pdf.

who imposed new regulatory and disclosure requirements on loan servicers with respect to the Direct Loan program and loans made under title IV of HEA were preempted by Federal law.[22] Yet, the HEA does not and should not preempt any state laws regulating student loan servicers.

Assert federal responsibility for servicing quality

Programs are already in place that could reduce student delinquency and default through better loan servicing, but complexity, poor implementation and lax oversight by the Department has exacerbated the problem.

- Take servicer compliance with consumer protection standards into account when deciding how to allocate servicing contracts. The GAO has flagged the Department's failure to do so as a major factor in continued servicer errors and poor performance.[23]
- Develop a compensation structure that encourages servicers to spend time with borrowers that are at risk of delinquency and default and take steps to keep borrowers on track. Specifically, servicers should take time to work with borrowers to enroll them in income-based repayment programs and should not rush to put borrowers in forbearance or deferment where income-based repayment is a better option.
- Make consumer protection standards for student loan servicing statutory and clarify that the CFPB and state regulators have supervisory powers over student loan servicers. In the last year, the Department of Education has resisted information-sharing with the CFPB and state regulatory agencies. The Department of Education should be required to cooperate with such agencies and let the CFPB and state agencies exercise oversight over consumer protection areas where they have expertise.
- Collect and publish data from servicers to track servicing metrics for all loans.[24]
- Clarify that any voluntary over-payments must be allocated to principal and not to future interest payments.

For-Profit Colleges

For-profit colleges are big business, primarily funded by taxpayers. Many deliver poor instructional quality at high cost, causing a high proportion of students to drop out. Even for those students who do graduate, gainful employment in the field that they trained for is frequently elusive. Both non-completers and graduates bear high burdens of debt relative to their post college earnings and default on that debt in large numbers relative to those students who attended public and private non-profit colleges.

Close the 90/10 loophole

For-profit colleges target students with aggressive and deceptive marketing and recruiting, and they often prey on service members and veterans. This is because of a loophole in federal law that allows for-profit

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[22] https://www.federalregister.gov/documents/2018/03/12/2018-04924/federal-preemption-and-state-regulation-of-the-department-of-educations-federal-student-loan

[23] GAO, Federal Student Loans: Education Could Improve Direct Loan Program Customer Service and Oversight, GAO-16-523, May 16, 2016, https://www.gao.gov/products/GAO-16-523.

[24] Comment to the CFPB by the National Consumer Law Center Re: Comment Request Agency Information Collection Activities (2017). Available at: https://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/comments-to-cfpb-student-loan-servicing-data.pdf.

colleges to use GI Bill dollars and Defense Department Tuition Assistance to get around a cap on federal student aid dollars. The rule says that a for profit college must obtain 10 percent of its revenue from a source other than Title IV funds. Funds from tuition assistance like the GI Bill are not classified as Title IV funds so they can count toward the 10 percent requirement just like private sources of funding. This gives for-profit colleges an incentive to exploit service members and use aggressive marketing to draw them in and take out private loans which they often are forced to take because federal dollars are not enough to cover for-profit college expenses.

- Reduce the ratio of federal dollars to other federal sources of tuition payment from 90/10 to 80/20
- Classify GI Bill dollars as federal dollars in the ratio to protect veterans from exploitation.
- Prohibit the use of predatory institutional loans as an alternative to federal dollars.

Make accreditation meaningful and effective

The Department in 2018 restored the recognition of ACICS, the federal accreditor that failed to oversee ITT Tech and Corinthian Colleges. The Department restored the recognition – a move that will allow the accreditor and the for-profit schools they oversee to continue operating – over the objections of career staff and analysts.

Shore up borrower defense to repayment

The Department recently engaged in a second negotiated rulemaking on the borrower defense to repayment provision of the HEA. Under the current administration, the Department has neglected its obligation to borrowers and taxpayers, failing to process claims under existing law in a timely way. As a result, over 90,000 claims have languished leaving borrowers stuck in limbo and unable to proceed with their lives. Many of these borrowers were students at the now defunct Corinthian Colleges, an institution whose predatory actions have been widely reported and documented.[25] Borrowers and taxpayers deserve a better system and one that is less susceptible to political whims. In drafting this protection, the Reauthorization should include, at minimum, provisions reflecting the following important characteristics:

- Basis in a broad, general standard of federal and state consumer protection law;
- Allow for a wide range of evidence to show consumer protection violations;
- Provide for full relief wherever possible and not limit borrower recovery based on arbitrary statutes of limitations;
- Give heavy weight to actions by state attorneys general and federal consumer protection authorities;
- Provide cohort-based relief whenever possible;
- Allow cohort members to opt-out automatic relief, rather than requiring individual applications and showings of reliance or harm;
- Be applicable to all federal loans with no time limit – Direct, Federal Family Education Loan (FFEL), and Perkins; and
- Require the Department of Education to enforce Borrower Defense to repayment rule and administer claims for schools that have closed.

[25] https://www.warren.senate.gov/files/documents/2016-9-29_Letter_to_ED_re_Corinthian_data.pdf

Ban mandatory arbitration clauses in enrollment contracts

A very important component of borrower defense is the abuse of mandatory arbitration clauses. As part of its proposal to revise the Borrower Defense to Repayment rule, the Department, has reversed course from the final 2016 rule and proposed to allow forced arbitration clauses in school enrollment agreements. Forced arbitration clauses are the almost exclusive province of for-profit colleges.[26] They require students to sign away their rights to their day in court in advance and give a systematic advantage to the college in arbitration. Forced arbitration also commonly takes away students' rights to proceed as a class, greatly limiting their ability to get relief.[27] Most importantly, in the case of borrower defense to repayment, the prevalence of forced arbitration greatly limits the evidence available to the Department to assess defense to repayment claims. Consumers often forgo seeking relief entirely if they cannot go to court because of an arbitration agreement. Even if they do initiate arbitration, the proceedings are generally confidential, so the Department will have limited ability to learn of the findings.[28] Forced arbitration has no place in the relationship between a student and a college. Congress should explicitly prohibit colleges from using arbitration agreements to suppress students' legal rights and limit transparency in addressing disputes and send a clear message to the Department of Education that mandatory arbitration is inappropriate.

Reaffirm and strengthen the gainful employment rule

The Department also recently attempted to rescind and delay the important protections provided in the 2014 Gainful Employment Rule. While a court ordered that the rule take effect, the Department is still planning to replace the rule with a weaker regime. This ill-advised approach can also be remedied by congressional action that will ensure that students have access to quality educational opportunities at an affordable price.

- Provide program-level accountability for all career training programs;
- Use both the debt-to-income measurement (DTI) of 8% and a loan repayment rate as a measure of quality.
- Measure outcomes for all program participants, not just graduates;
- Immediately limit enrollment in poorly performing programs until they improve;
- Provide financial relief to make whole students in programs that lose eligibility;
- Require clear and conspicuous disclosure of program failure; and,
- Reward rather than burden low-cost programs where most graduates do not borrow.
- Add five-year default rates as a metric to avoid default manipulation and consider even longer-term default rates as an indicator of borrower health.

Recent research conducted by CRL shows the financial devastation that can result from attending and borrowing for for-profit career training programs many of which score poorly under the 2014 Gainful Employment Rule. We conducted a focus group of former students that had pursued healthcare support credentials such as Medical Assisting and Pharmacy Technician at Florida for-profits and found that most

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[26] Fair Arbitration Now, Student Loans and For Profit Schools. https://fairarbitrationnow.org/student-loans-and-forprofit-schools/.

[27] CFPB Study Finds that Arbitration Agreements Limit Relief for Consumers. Mar. 10, 2015. http://www.consumerfinance.gov/newsroom/cfpb-study-finds-that-arbitration-agreements-limit-relief-forconsumers/.

[28] Public Citizen, The Arbitration Trap: How Credit Card Companies Ensnare Consumers http://www.citizen.org/documents/ArbitrationTrap.pdf.

were unable to find full-time employment sufficient to make any progress repaying student debt. They also reported an inability to cover typical family living expenses or access credit to buy a car or home and felt despair and cynicism about the prospect for better financial opportunities for their children. Looking at the first round of Gainful Employment (GE) data, we found that the excessive burden of debt levels relative to earnings for these types of programs is almost exclusively a problem of the for-profit sector: 83% of the for-profit healthcare support programs included in this study (certificates or associate's degrees) scored poorly in the first release of GE national data on programmatic student debt and earnings, compared to only 11% of public programs.[29]

Access and Success

Incorporate negative expected family contributions (EFCs) to target aid to students with the lowest incomes

Incorporate a negative EFC to help direct institutional and state-based resources to the families that need them the most.[30] Underlying FAFSA data makes it possible to calculate a negative expected family contribution. For years, researchers have advocated for a negative EFC of up to -$750 to direct aid to students and families that are the most severely impoverished. Senator Edward Kennedy even introduced the Strengthening Student Aid for All Act in 2008 to incorporate such a thing.[31]

Make it easier for independent students to qualify for independent status

Allow the federal student aid dependency override process to include estrangement, refusal by guardians to cover the expected family contribution, and financial independence as eligible reasons for status change. While homeless students and veterans are considered independent, other students receiving no financial assistance from family are not. LGBTQ students, for example, are more likely to be estranged from family, and may not receive financial support despite being considered dependent because of their age.[32] Other students, considered dependent by the federal financial aid system, simply pay for college alone without help from family. And other families simply cannot afford to cover a student's cost of attendance.[33]

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[29] Center for Responsible Lending, 2018. *A Bitter Pill: Gainful Employment and Credentialism in Healthcare Support Fields.* https://www.responsiblelending.org/research-publication/bitter-pill-gainful-employment-and-credentialism-healthcare-support-fields.

[30] Kelchen, Robert (2017) "The Distributional and Cost Implications of Negative Expected Family Contributions," *Journal of Student Financial Aid*: Vol. 47 : Iss. 1 , Article 2.
Available at: https://publications.nasfaa.org/jsfa/vol47/iss1/2.

[31] "Federal Grant Aid Not Enough to Support Students With the Lowest Incomes," 2008. Institute for Higher Education Policy (IHEP). Available at: http://www.ihep.org/press/news-releases/federal-grant-aid-not-enough-support-students-lowest-incomes.

[32] Burns, Crosby. 2011. "Fact Sheet: LGBT Discrimination in Higher Education Financial Aid." Washington DC: Center for American Progress. Available at https://www.americanprogress.org/issues/lgbt/news/2011/08/24/10163/fact-sheet-lgbt-discrimination-in-higher-education-financial-aid/.

[33] Furquim, Fernando, Kristen M. Glasener, Meghan Oster, Brian P. McCall, and Stephen L. DesJardins (2017) "Navigating the Financial Aid Process: Borrowing Outcomes among First-Generation and Non-First-Generation Students," *The ANNALS of the American Academy of Political and Social Science:* Vol. 671: Iss. 1.

Increase and Expand Aid to Minority Serving Institutions (MSIs)

Minority Serving Institutions (MSIs) are critical post-secondary institutions in the education of students from low-income families and communities of color where educational attainment is disproportionately low and income mobility can be stagnant.[34] MSIs have secured federal appropriations since 1965 with the first iteration of the HEA because of their important role in redressing a systemically inequitable higher education field. Despite the chronic histories of state and federal underfunding and the pernicious effects of hostile societal environments for youth of color, many MSIs continue to do a promising job of supporting students to degree completion, achieving future gainful employment, serving as engines of upward mobility and participating in meaningful civic opportunities.[35]

Degree completion rates for MSIs are higher than the federal graduation rate suggest, this is especially true for exclusively full-time students. According to the National Student Clearinghouse (NSC), for public four-year Historically Black Colleges and Universities (HBCUs) the total degree completion rate for students enrolled full time was almost 62 percent compared with a federal graduation rate of 34.1 percent. For four-year Hispanic-Serving Institutions (HSIs), the total completion rate for public four-year HSIs was 74.1 percent for full time students compared to a federal graduation rate of 42.7 percent. Additionally, for students at a public four-year Asian American and Native American Pacific Islander-Serving Institutions (AANAPIs) the total completion rate for full time students was nearly 88 percent compared to 66.2 percent for the federal graduation rate.[36]

These statistics reveal a stark reality that MSIs are necessary and should be valued as a great asset to helping to heal the legacy of racism and inequality in the American higher education system. MSIs represent roughly one-fifth of all degree granting, Title IV eligible institutions of higher education in 2014-2015. In the same year, 700 MSIs enrolled 4.8 million students or 28 percent of all undergraduates enrolled in U.S. Higher Education.[37] MSIs are projected to grow even more. Enrollment in institutions of higher education through 2025 will be increased through enrollment of people of color with students of color comprising nearly half of all postsecondary students in the next decade.[38] MSIs are educating the country's most vulnerable students while doing with limited resources.

- Increasing both discretionary and mandatory aid to Title III and Title V institutions is essential to their survival and to closing the wealth gap. HSIs and HBCUs emphasize opportunity as the capstone of American exceptionalism. In 2013-2014, the average total cost of attendance at all HBCUs was 26 percent lower than the average total cost at all four-year non-profit colleges.

Conclusion

We are grateful to Senators Jones, Warren, Harris, and Cortez Masto for the opportunity to comment on this important issue. Students of color still face barriers in accessing higher education, still hold

[34] American Council on Education. Minority Serving Institutions as Engines of Upward Mobility. 2018. https://www.acenet.edu/news-room/Documents/MSIs-as-Engines-of-Upward-Mobility.pdf

[35] American Council on Education. Pulling Back the Curtain: Enrollment and Outcomes at Minority Serving Institutions. 2017. https://www.acenet.edu/news-room/Documents/Pulling-Back-the-Curtain-Enrollment-and-Outcomes-at-MSIs.pdf

[36] Ibid.

[37] American Council on Education. Minority Serving Institutions as Engines of Upward Mobility. 2018. https://www.acenet.edu/news-room/Documents/MSIs-as-Engines-of-Upward-Mobility.pdf.

[38] Ibid.

disproportionate financial burdens, and still struggle to overcome bad information from servicers. Student loan debt is a real crisis for many people of color and it exacerbates the racial wealth gap. The defaults that are coming threaten the whole economy, and many families are already delaying important milestones such as family formation, homebuying, and graduate school in order to pay on student loans that may not even lead to gainful employment. Fortunately, there is action that the Senate can take to stop this crisis in its tracks. The time has come for large, systemic change and not tinkering around the edges of the HEA. Thank you for your commitment to giving students of color a real opportunity to succeed and access the American dream.

Sincerely,
The Center for Responsible Lending