October 23, 2020

Major General Mark A. Brown, USAF (Ret.)
Chief Operating Officer
Office of Federal Student Aid
830 First Street, NE
Washington, DC 20202

Re: Comments on FSA's Approach to Financial Aid Issues in its Draft Strategic Plan

To Whom It May Concern:

These comments are submitted on behalf of the 16 undersigned organizations representing and advocating on behalf of students, taxpayers, veterans, and consumers.

Strategic Goals and Objectives

Our comments address strategic goals 2, 3, and 5, including on pages 44-49, 50-53, and 57-62 of the draft strategic plan.

We appreciate FSA's Strategic Goal 2 to provide students and borrowers with a world-class experience. However, we believe this goal could be strengthened through a clearer focus on equity and outcomes. We propose several changes to the performance metrics below. For Strategic Objective 2.2, we recommend that FSA consider not just the number of borrowers who access a tool (as most of the current performance metrics are structured), but also what relationship those tools bear to success in borrowers' repayment outcomes. For instance, does viewing aid summary information actually lead borrowers to make more on-time payments or make them less likely to default?

Throughout the strategic plan, FSA talks several times about the need for greater financial literacy among borrowers. The reality is that, even with federal student loans, college is unaffordable for millions of low-income students. No amount of financial literacy coursework will change that fact. Instead, efforts like the Annual Student Loan Acknowledgement could put up barriers to students' accessing their federal education benefits, which research shows is essential for helping students to complete their educational programs. FSA should have a high bar for evidence backing any such barrier erected in the name of financial literacy.

In its discussion of Strategic Goal 3 and elsewhere in the strategic plan (including Trend 1), FSA frames its primary concerns with income-driven repayment as being about the taxpayer implications of such plans. We believe FSA has largely missed the forest for the trees on this point. By making payments lower, for many of the tens of thousands of lowest-income borrowers who are in income-driven repayment plans, IDR may be a much more efficient way to ultimately recoup taxpayer costs than to see those borrowers fall into delinquency and default, send them to collections, and spend years attempting to recoup the debt through wage garnishment and tax refund offsets. Analysis of federal data has shown that only a fraction of debt recovered from defaulted borrowers—4 percent—was through payments from borrowers to the private collection agencies that FSA pays millions of dollars each year. FSA should consider a more holistic analysis of the cost-effectiveness of income-driven repayment plans, particularly for low-income borrowers who otherwise would have defaulted on their loans, rather than simply calculating that IDR plans cost more.

With respect to Strategic Goal 5, we propose adding a new Strategic Objective 5.5: Improve Insights Into and Understanding of Variations in Student Aid by Race/Ethnicity. Recent analyses have mined data from other sources (including NCES sample surveys) to demonstrate that loan outcomes, in particular, vary considerably by race/ethnicity — even after accounting for factors like completion status. Yet FSA analyses do not take race into account. A greater focus on the effects of race, particularly for Black borrowers, is critical. While we recognize that FSA's current data systems do not currently collect race data, FSA should include in its goals beginning to collect those data, such as through a question on the FAFSA about race/ethnicity. Until those data become available, FSA should consider other ways to estimate borrowers' race/ethnicity, such as using address data or conducting data matches with other federal agencies.

Performance Measures

This section of our comments addresses the specific performance measures for strategic goals 2, 3, and 5. Those measures are discussed on pages 65-70 of the draft strategic plan.

For Strategic Objective 2.1, we propose numerous improvements. For Performance Metric (B), we propose disaggregating the metric to focus on FAFSA completion (rather than submission) among high school seniors in Title I high schools. These data are already available from existing Department of Education sources, and would better identify whether low-income students are accessing the FAFSA at sufficient rates to close postsecondary access gaps. We also propose adding a new metric that measures FAFSA completion among independent students and among veterans; adults returning to college make up a growing share of postsecondary enrollment. We also propose a new Performance Metric (D) that measures usage of the automatic income-sharing options (such as the IRS Data Retrieval Tool or IRS authorization stemming from the implementation of the FUTURE Act); increased use should both be encouraged (as a way to ensure accuracy of information and minimize the need for verification of income) and increasingly possible as the FUTURE Act is implemented. And we propose a Performance Metric (E) that will measure progress in FSA data-sharing with other agencies to share information on students' need and help identify them as eligible for other benefits, such as LIHEAP and TANF.

For Strategic Objective 2.2, we recommend disaggregating Performance Metrics (A) through (D) by borrower characteristics (such as Pell eligibility, completion status, and credential level completed if they did finish) to ensure FSA's information is reaching all borrowers. For performance metric (C), we recommend revising to measure the number of users who report that Aidan successfully answered their questions; this will keep the focus on the utility of the information, not just the sheer number of the tool's users. We recommend replacing Performance Metric (D) with the number of borrowers enrolled in income-driven repayment who recertify their income on time; past FSA data show that IDR recertification is a substantial hurdle for borrowers, with serious implications if borrowers' payments increase to the standard amount overnight, whereas there is little research underpinning the concept of the Annual Student Loan Acknowledgement. For Performance Metric (E), we recommend measuring not only the number of emails sent, but also the open-rates and click-through rates; this will better assess how useful borrowers find the information contained in those emails.

Under Strategic Objective 2.3, we propose adding a new performance metric (C), Track and Reduce Common Servicing Errors. This metric would relate to reducing frequent issues, such as improper collections activities. The payment pause during the pandemic has made clear how difficult it can be for FSA to stop its collection activities when required (as evidenced by continued wage garnishment and other collections activities for some borrowers). If FSA is not carefully tracking these activities, it is unlikely to even be aware of the extent of the problem, let alone be able to resolve the issue.

For Strategic Objective 2.4, we propose a new Performance Metric (D) demonstrating adoption of other student loan forgiveness and discharge options by eligible borrowers. For instance, closed school discharge and total and permanent disability discharge uptake is relatively low among eligible borrowers; FSA should seek to increase access to accurate and up-to-date information about these options among borrowers who are likely eligible and automate them wherever possible.

For Strategic Objective 3.1, we propose revising Performance Metric (B). The current metric states that future years of the borrower defense backlog will be measured against previous year performance. However, once FSA currently adjudicates the outstanding backlog of applications, it should be cautious not to allow the backlog to grow again. For FYs 22-24, we propose clarifying that the backlog shall not exceed 5,000 applications in a given year.

We also propose several changes to the performance metrics for Strategic Objective 5.1. Performance Metric (A), monthly reporting through the FSA Data Center, is a welcome change. However, we encourage FSA to release data on a schedule that will not require significant revisions after being posted (as often happens with quarterly data), even if that means posting monthly information on a lag. For Performance Metrics (C), (D), and (E), we recommend disaggregating such data by borrower characteristics and by institutional control/sector.

FSA should add a new metric (F) to publish the Chief Operating Officer performance agreement, a key element of the FSA performance-based organization structure that has not been released since fiscal year 2015. Another new metric (G) should measure FSA's progress in beginning to produce the data needed for the College Scorecard (such as program-level and institutional earnings, repayment rates, and completion rates) via NSLDS, ensuring that transparency is a routinized part of FSA's broader transparency work.

For Strategic Objective 5.2, we object to the inclusion of Performance Metric (C) as a stand-alone measure of income-driven repayment because it implies the only concern FSA has with income-driven repayment is this specific issue of income verification. We recommend this metric be removed and replaced with a metric of the subsequent default rates of borrowers who enroll in income-driven repayment. We also recommend adding a new Performance Metric (D) that will measure FSA's progress in increasing researcher access to FSA data, whether by releasing a privacy-protected version of microdata from NSLDS or through a research partnership program along the lines of the previously announced FSA "Advancing Insights Through Data" pilot program, which is still not broadly accessible to researchers.

For Strategic Objective 5.3, we appreciate and agree with FSA's focus on default and delinquency. However, we propose that the goal in Performance Metric (A), rather than measuring the engagement of defaulted borrowers, focus instead on those borrowers' ultimate outcomes. To that end, we suggest the Department (instead or in addition to (A)) set a bold goal of reducing the size of the defaulted loan portfolio by half within five years. Additionally, we propose disaggregating the data for Performance Metrics (B), (C), and (D) by borrower characteristics and by institutional control/sector.

We propose eliminating Performance Metric (E) for Strategic Objective 5.3. The question of whether borrowers take out less than the maximum loan amount is, for many low-income students, out of their hands, because college costs simply exceed the total amount of their expected family contributions and their aid eligibility. Even after maxing out their loan amounts, they often face gaps in college costs. Discouraging students—especially low-income students—from taking out the loans for which they qualify, research has shown, is connected with higher rates of dropping out of college. Moreover, since loan limits have not changed since 2008 it is unclear if this measure will track anything besides inflation in college prices.

For Strategic Objective 5.4, we propose adding a new performance indicator focused on how FSA holds its vendors accountable when it identifies issues (which is the focus of Performance Metric (A)). Specifically, we propose a new Performance Metric (B) that measures the share of instances in which identified findings result in an enforcement action against the vendor (such as money returned). This will ensure follow-through in FSA's oversight of vendors, and will begin to change vendor behavior by deterring such impermissible activities.

For our proposed new Strategic Objective 5.5: Improve Insights Into and Understanding of Variations in Student Aid by Race/Ethnicity, we propose adding a Performance Metric that would measure FSA's progress in analyzing the racial impact of student loans. Within five years, FSA should be regularly producing analyses that measure impact of the federal student aid programs by race.

Sincerely,

American Association of University Women (AAUW)

Association of Young Americans (AYA)
Center for American Progress
Consumer Action
Higher Learning Advocates
Institute for Higher Education Policy (IHEP)
National Association for College Admission Counseling
New America Higher Education Program
Seldin/Haring-Smith Foundation
Student Veterans of America
The Education Trust
The Institute for College Access & Success (TICAS)
U. S. Public Interest Research Group (PIRG)
Veterans Education Success
Yan Cao, Fellow, The Century Foundation
Young Invincibles