April 24, 2015

The Honorable Senator Lamar Alexander
Chairman, Senate Education Committee
U.S. Senate
Washington, D.C. 20510

Dear Senator Alexander,

Thank you for the opportunity to present comments regarding three important issues you raise related to the reauthorization of the Higher Education Act: accreditation, risk sharing, and the collection of consumer information. Single Stop respectfully submits comments on the concept of **risk sharing/skin-in-the-game** as it speaks directly to our work ensuring that college students stay in school, graduate on time, and lead financially secure lives.

Single Stop is a national nonprofit organization that harnesses America's most effective anti-poverty tools to create economic mobility for low-income families and individuals. We are dedicated to helping low-income individuals and families build economic security by coordinating access to resources such as free tax preparation, legal services, financial counseling, and public benefits. In 2009, we launched the Community College Initiative to increase completion rates of low-income community college students by addressing financial barriers facing these students. Single Stop community college sites enable students to tap into existing unspent federal and local resources that can be used as a supplemental form of financial aid. Since the inception of the initiative, Single Stop has served nearly 140,000 students and secured $260 million in additional resources—tax credits, health insurance, nutrition assistance, and more—that students are using to pay for college. Currently, we have sites at 23 community colleges in 8 states (NY, NJ, CA, MA, LA, PA, MS and FL), and this year Single Stop is expanding and introducing our model to four-year institutions to help curtail dropout rates across the board.

Low-Income Students Face a Disproportionate Number of Economic Hardships

Low-income students face a disproportionate number of economic obstacles to stay in college and graduate on time. Financial and related barriers are the number one reason why community college students stop out or dropout of college[1]. While most of the tuition costs of community college can be covered by a Pell Grant, tuition is only a fraction of the problem. For instance, many Single Stop clients have to pay significant amounts of money to travel to and from school, to keep their children in daycare, and to put food on the table each day. Many community college students opt for loans to cover these additional costs. According to the Department of Education Statistics, approximately 27 percent of full-time, full-year students at 2-year private nonprofit institutions received federal loans in the 2011-2012 academic year[2], and nearly 16 percent of part-time or part-year students received federal loans in the same time period.

[1] Ryder, Ronald A. "Nontraditional Students: Perceived Barriers to Degree Completion." *College Student Affairs Journal* 13.2 (1994): 5-13.
[2] National Center for Education Statistics, "Percentage of full-time and part-time undergraduates receiving federal aid, by aid program and control and level of institution: 2007-08 and 2011-12," Digest of Education Statistics (2013): Table 331.90, http://nces.ed.gov/programs/digest/d13/tables/dt13_331.90.asp

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In a study of people born in the early 1980s, University of Michigan researchers found significant disparities in four-year college enrollment and graduation rates between students of varying income levels. Of the richest 25 percent of students, 80 percent enrolled in college by age 19, and of those, 68 percent graduated by age 25. Of students in the bottom quarter of the income distribution, only 29 percent enrolled in college by age 19 and of those, only 32 percent graduated by age 25 with a bachelor's degree[3]. It is worth noting that two-year colleges make up a significant proportion of all colleges in America. Of the 4,726 total degree-granting postsecondary institutions in 2013, 1,700 were community colleges[4]—nearly 40 percent. Furthermore, almost 40 percent of all postsecondary students today attend community college[5] and the vast majority of minorities in higher education—over 50 percent—choose community college[6]. Relative to their high-income peers, low-income students are more likely to attend colleges based on geographical location rather by which institution offers the best chance of success. More often than not, the institution will not have the on-campus student support services that low-income students so greatly need[7].

Single Stop shares your concern about this fact: *70 percent of borrowers who defaulted on their loans withdrew from college before completing their program*. As you develop accountability principles that require schools to share in the risk of student borrowing, we urge you to structure policies that encourage colleges to admit students from low-income backgrounds. By pairing accountability with sophisticated student services for low-income students, you avoid the risk of institutions barring "high-risk" students from a proven gateway to economic mobility. Institutions must help students' access the full spectrum of supports and services that are available to them to help them stay in school, graduate on time, and receive the degree that will equip them with the knowledge and skills to obtain a good job and able to repay their loans.

Recommendations for Increasing Student Support Services and Completion Rates

You offer a significant recommendation on the matter of college dropout rates: *increase resources for academic and other support services to drive on-time completion, success and ultimately repayment of loans*. Institutions can share in the financial risk by being incentivized to develop innovative student support services that address financial barriers to college completion. There is strong evidence that even small infusions of extra financial resources can make major impacts on retention for low-income students, as shown by rigorous studies of emergency scholarship programs that produced significant increases in retention[8]. Another University of Wisconsin-Madison study found that students who were served by Single Stop and received public benefits drew down an average of $5,400 per student per year from non-traditional sources[9], as compared to a maximum Federal Pell Grant of $5,645—suggesting that colleges can nearly

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[3] Bailey, M. and Dynarski, S. (2011) *Gains and gaps: Changing inequality in U.S. college entry and completion.* National Bureau of Economic Research. http://www.nber.org/papers/w17633.pdf

[4] National Center for Education Statistics, "Degree-granting postsecondary institutions," Digest of Education Statistics (2013): Table 317.10, http://nces.ed.gov/programs/digest/d13/tables/dt13_317.10.asp?current=yes

[5] College Board, "Community College: FAQs." (2015). https://bigfuture.collegeboard.org/find-colleges/how-to-find-your-college-fit/community-college-faqs

[6] American Association of Community Colleges, "2015 Fact Sheet." (2015). http://www.aacc.nche.edu/AboutCC/Documents/FactSheet2015.pdf

[7] The Executive Office of the President, "Increasing College Opportunity for Low-Income Student (2014): https://www.whitehouse.gov/sites/default/files/docs/white_house_report_on_increasing_college_opportunity_for_low-income_students.pdf

[8] Richburg-Hayes, L., et al. "Rewarding persistence: Effects of a performance-based scholarship program for low-income parents." (2009). http://dev.mdrc.org/sites/default/files/rewarding_persistence_fr.pdf

[9] Goldrick-Rab, S., et al., *Clearing a path to a brighter future: Addressing barriers to community college access and success.* (2013). http://kresge.org/sites/default/files/White-paper-barriers-to-community-college%20access-success.pdf

double the financial resources for students to stay in school without loans simply by helping them access non-traditional resources such as tax credits and safety net resources.

The idea is that institutions should implement full wraparound services at the financial aid office (or any other highly visible and frequented student area) where low-income students can be connected with existing federal, state and local financial supports including tax credits, health and human services programs, job training, and legal services. Adding these services as approved activities in the Higher Education Act will increase the likelihood that nontraditional students who are juggling work, family and school can persist and graduate, making them less of a risk to institutions. The following four recommendations offer an opportunity for members of Congress to consider creative and innovative ways institutions can harness America's existing safety net resources and leverage them to help low-income students stay in school, graduate on time, and ultimately, save money for the government, institution, student, and taxpayer.

Our recommendations have three primary goals:

1. To create a demonstration project authorized by the Higher Education Act to fund Student Success Centers;
2. To help more low-income, first-generation minority students enroll in and complete postsecondary programs; and
3. To protect vulnerable students at risk of dropping out by expanding current federal financial aid mechanisms.

I. Student Success Center Grant Program

- *Recommendation 1: We recommend that the Higher Education Act be amended to include the authorization of funding for a demonstration project that would provide grants on a competitive basis to institutions of higher education for the purpose of implementing the innovative student supportive services addressed above*.

The grant would fund a package of innovative services deemed Student Success Centers including but not limited to:

(1) Volunteer Income Tax Assistance (VITA) to help students access educational and other tax credits;
(2) Benefits enrollment coordination activities relating to the enrollment and identification of individuals into state, local and federal benefits programs;
(3) Legal services;
(4) Financial literacy and counseling; and
(5) Connections to local community services including job training, food pantries, housing counselors and domestic violence programs.

The Student Success Center grant program would fund colleges to operate such programs within their financial aid or student services department, offering schools a way to have supports in place to admit low-income, higher-risk students and ensure they graduate within an accountability framework. The program would encourage colleges to develop sustainable models for coordinated access to financial supports including training staff to provide benefits counseling and case management services, utilize service learning and other course work to scale counseling programs, and use online screening and resource referral tools to connect students to existing resources. These three- to five-year

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demonstration grants would include a required evaluation component on the impact of these services on student retention.

II. Comprehensive student financial supports services for Minority Serving Institutions

- *Recommendation 2: We recommend that the Higher Education Act be amended to include comprehensive student financial support services language under authorized activities for existing federally-funded student support services*.

  Nontraditional students who are Hispanic, African American, Asian American, or students who attend American Indian Tribally-Controlled Colleges, Native American-Serving Nontribal Institutions, Hispanic-Serving Institutions, Predominately Black Institutions or Native Hawaiian-Speaking Institutions make up the largest percentage of community college students who drop out of college due to financial difficulties. Expanding the definition of financial student support services will strengthen existing federal efforts to assist minority students and low-income students so that they can succeed in school, graduate, and repay their loans.

III. Address college affordability by enhancing the financial aid system

- *Recommendation 3: We recommend that the expected family contribution (EFC) become negative when a student's family income falls below the subsistence level so that real financial need is represented accurately, and provide additional Pell aid to the neediest students to meet the cost of attendance, up to a cap of $750*.

  This concept must be implemented in order to differentiate the neediest students among those with zero EFC.

- *Recommendation 4: We recommend that financial aid award letters include an institution-specific list of on-campus and off-campus resources and services such as free tax preparation, enrollment in public benefits, legal services and financial counseling that help college students succeed*.

  Many students are not aware of all the financial resources that are available to them outside of grants and loans. It is in the institutions' interest to help students locate the resources to help them stay in school, and pairing this directive with skin-in-the-game policies will make it more likely that schools help the students that matriculate to their institutions succeed. A simple one-line inclusion in each student's financial aid award letter encouraging the student to access other local resources that may be eligible for is a substantial start. In addition, the Higher Education Act should require each college to come up with a "college affordability checklist" for low-income students. The plan should list all off-campus support agencies such as Career Centers under the Workforce Innovation and Opportunity Act as well as on-campus resources. As part of this requirement, the Department of Education could encourage campuses to develop on-campus resources including IRS-certified Volunteer Income Tax Assistance (VITA) sites or trained financial aid/student services staff who can provide application assistance for federal benefits. Colleges can be given flexibility on how to distribute this plan to students, but all should be required to distribute this information to independent students with a zero EFC who are most likely to be eligible for those programs.

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Conclusion

We commend you for drawing attention to the idea of risk-sharing as a potential solution to the significant burden of debt affecting college students. We underline Senator Alexander's point that we ensure that institutions do not tighten admission standards as a way to mitigate their financial risk and potentially lock out low-income students completely from a postsecondary education. Instead, we believe institutions should be incentivized to re-invent their existing student support services systems in such a way that addresses the full spectrum of barriers that exist to college completion.

Single Stop's model taps into the country's repository of underutilized resources designed to help low-income individuals and families. These resources have the potential to help thousands of low-income college students stay in school and graduate on time. The recommendations we envision do not require the federal government to allocate significant new funds but rather reimagine the use of existing dollars to significantly impact a student's chances of success in college and beyond.

Thank you again for the opportunity to comment on these concepts. We would be delighted to provide you with any additional information and we look forward to continuing to work with you on these critical issues. Please do not hesitate to contact me at AStettner@singlestop.org should you have any further questions about our recommendations or our work.

Sincerely,

Andrew Stetter
Chief Program Officer