How Congress Can Act to Simplify and Expand Federal Student Aid Grants, Loans and Repayment Plans

California needs more college graduates and limited finances should never stop a talented student from pursuing their college dreams. The Free Application for Federal Student Aid (FAFSA) is the first step for any student trying to pay for college. Filling out the FAFSA should be clear and simple to ensure that every eligible California student gets the financial aid they deserve.

In 2014, 144,872 high school graduates did not complete a FAFSA. It is estimated that $342,421,911 in Pell Grants went unused by eligible California students (based on average grant awards). This is the highest amount of money left on the table among all states.

40% of low income and 1st generation college students drop out before completing college, many students are overwhelmed by the cost of college and insufficient financial aid.

By 2025, California is projected to have a shortage of 2.4 million college graduates and certificate earners in the state’s workforce if the number of young and older adults who go to college and complete higher education is not significantly increased.

To ensure that our next generation of students succeed and have the opportunity to reach their college dreams, Congress should:

- Strengthen & Simplify the Application for Federal Financial Aid
- Restore, Increase and Protect Pell Grants
- Streamline the Student Loan & Income-Based Repayment Options

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WHAT CONGRESS MUST DO TO KEEP COLLEGE AFFORDABLE

1. STRENGTHEN & SIMPLIFY THE APPLICATION FOR FEDERAL FINANCIAL AID

Continue Use of Prior-Prior Year Data & Earlier Availability of the Application

Before 2016, the Free Application for Federal Student Aid (FAFSA) became available on January 1st and relied on estimates of tax information students and their families provided from the prior year. By instead asking for tax information from the prior-prior year (PPY), students can more easily and accurately submit their FAFSA. Using PPY data provides students with more time to consider financial aid options and make better informed choices about where to go to college.

Expand IRS Data Retrieval Tool

The IRS Data Retrieval Tool (DRT) makes it easy for students and families to import their tax information directly onto the FAFSA. However, many students are ineligible to use the tool due to their tax filing status. The DRT should be expanded to give more students the ability to use the tool.

Reduce Number and Complexity of Questions

The FAFSA currently consists of more than 100 questions, of which almost one-third need to be answered by less than 1% of applicants. Questions should be better matched to the complexity of the applicant’s finances by expanding the “skip-logic” already in place for the online application.

2. RESTORE, INCREASE AND PROTECT PELL GRANTS

The Pell Grant program has opened the doors to college for millions of low-income students in California. Increasing investments in Pell Grants will ensure college access and completion for California students who need it most. Pell Grant eligibility should be restored for students taking courses year-round so they can finish college sooner; the maximum Pell Grant award should be increased to cover a greater share of college costs; and surplus funds should stay within the program.

3. STREAMLINE THE STUDENT LOAN & INCOME-BASED REPAYMENT OPTIONS

Students are presented with a confusing array of loan and repayment programs. Even when subsidized and unsubsidized loans are available, students often still pick more expensive private loans (without any forgiveness or repayment options) due to lack of understanding the differences. California now requires colleges to inform students of federal options before certifying a private loan and we should extend this protection to students across the country.

Income-based plans cap borrower’s payments based on income and family size with the ability to discharge any remaining debt after 20 or 25 years, depending on the plan. The four current plans should be consolidated into a single, improved plan so that students can more easily assess if income-based repayment makes sense for them. Borrowers opting for income-based repayment should also have the option for automatic income verification to reduce issues in certifying their income on-time.

1 Victoria Simons and Anna Helhoski, How Students Missed Out on $2.7 Billion in Free FAFSA College Aid (January, 2016), https://nerdwallet.com

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