



INDIANA STUDENT FINANCIAL AID ASSOCIATION

www.isfaa.org

March 12, 2008

To The Honorable Members of the Indiana Congressional Delegation:

On behalf of approximately 350,000 Indiana postsecondary education students, the Indiana Student Financial Aid Association (ISFAA) would like to express some of our concerns regarding the funding of postsecondary education. We realize that there are multiple funding needs in today's federal budget, but we urge you to insure that our national priorities put education at the forefront of our national needs.

ISFAA asks that you consider the following important student aid issues:

1. We wish to thank those Congressional members who helped provide increases in the Pell Grant program for 2008-09. We request that you continue to pursue any opportunity to fully fund Pell Grants at their allowable maximum of \$5,400. Additionally we ask that you remain vigilant in your defense of the critically important Perkins Loan, Supplemental Educational Opportunity Grant (SEOG), and Leveraging Educational Assistance Partnerships (LEAP) program funds. We urge you to support the continuation of these programs as well as the restoration of Federal Capital Contribution funds, Perkins loan cancellation funds, and to oppose efforts to recall existing Perkins Loan funds from schools. These programs represent the bedrock of the financial aid industry and have all proven to be successful in providing generations of needy students access to a college education.
2. The College Cost Reduction and Access Act has resulted in decisions by some lenders to stop making or reduce loan processing in the Federal Family Education Loan (FFEL) program. While interest rates on undergraduate subsidized Stafford loans will be going down over the next few years we are concerned about the costs associated with loans for all borrowers. Many lenders have started charging origination fees that had been waived prior to the passage of the CCRAA and eliminated additional borrower repayment benefits. These reduced benefits can only result in more expensive student loans. We caution Congress as it continues to look for ways to reduce the overall cost of the FFEL program.
3. We urge you to carefully review the potential impact of revising the calculation methodology for determining "cohort default rates" in the FFEL/Direct Loan program. The proposed calculation formula could result in the loss of federal loans to those students who need them the most, i.e. institutions who serve non-traditional students from the lowest income levels.

4. ISFAA supports efforts to simplify the application process and the delivery of financial aid; however, we encourage you to be sensitive to the information needs of states and institutions. The elimination of certain FAFSA data elements may make the application process even more difficult and confusing for students and parents as these entities may need to create additional forms and processes to obtain needed information to award non-federal aid.

5. We express our concern over the recent proliferation of programs such as SMART Grant and TEACH Grant. These programs are designed to elicit a specific behavior from a narrowly defined segment of college students. While the ultimate goals of these programs are admirable, they are diverting attention and funding from programs designed to improve college access for all needy students, such as the Pell Grant. In general, we oppose any future grant program with a loan conversion provision. Encouraging responsible borrowing habits is a common goal for all financial aid administrators. Programs of this nature unnecessarily complicate efforts to provide adequate counsel to students and may have a significant, negative impact on future default rates.

As Congress works toward finalizing the Reauthorization of the Higher Education Act, we request that you support federal aid programs that will ensure that low and middle income students will be able to pursue their dreams of access to, and graduation from, postsecondary education.

Sincerely,

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