



To the Honorable Members of the Indiana Congressional Delegation:

The Indiana Student Financial Aid Association (ISFAA) is grateful for the opportunity to present the following student aid issues for your review. ISFAA is an association whose regular membership consists of college and university financial aid professionals dedicated to helping Indiana students fund their educational dreams. Additional associate members from organizations engaged with aid delivery also help with our cause.

On behalf of the approximately 370,000 Indiana postsecondary education students, the ISFAA leadership asks you to consider the following issues:

Key Issues

- Pell Grant amounts need to be retained. Low-income students desperately need these funds to attend college.
- Reducing interest rate subsidies for federal student loans need further review
- Ease financial aid delivery rules on nontraditional educational options
- Subsidized Stafford Loan interest rates should be retained at established calculation rates instead of reverting back to 6.8% for 2012-13
- FAFSA simplification helps students and schools
- Student loan bankruptcy provisions need to be discussed
- Increase work study funding in an effort to help reduce loan debt

Federal Pell Grants

Federal Pell Grants are the foundation of federal student aid. The proposed cuts to the Federal Pell Grant Program should be carefully reviewed to determine the impact on access as well as college retention and graduation. For many students, reductions in the Pell grant amount will lead to increased borrowing in both federal and non-federal student loan programs. Cutting the Pell grant amount will impact the number of low income students attending colleges and universities. If our nation is going to increase the number of students obtaining college degrees and be competitive in a world economy, we must continue to invest so that students will have financial access to higher education.

Delivery of Financial Aid

Many colleges and universities are offering non-traditional class calendar formats to better serve students. The use of non-term class schedules, sequential class arrangements, and accelerated academic schedules gives more

opportunity for adults to attain higher education credentials. Federal regulations have been designed primarily for aid delivery using traditional semester/trimester formats. New awarding and disbursement rules should be considered to better serve students while reducing administrative burden for the institutions who use nontraditional education plans.

Federal Student Loan Interest Rates

Federal student loan interest rates were reduced by the College Cost and Reduction Act of 2007. Subsidized federal loans will have a 3.4% interest rate for 2011-12. This rate will double to 6.8% for academic year 2012-13, unless you intervene. Interest rates for 2012-13 should be reviewed to determine and use an interest rate more in line with the 91 day T-bill rate and the average one-year constant maturity Treasury yield rate.

FAFSA Simplification and Non-Federal Program Needs

ISFAA supports continuing efforts to simplify the Free Application for Federal Student Aid (FAFSA) to improve access to federal financial aid. ISFAA suggests additional review of questions that could be eliminated or handled outside of the FAFSA application (example: emancipation questions). The Department of Education should continue to work with the state education commissions to determine critical information elements needed for their non-federal awards. The overall goal should be developing simplification to improve student access for all financial aid resources, not just federal student aid.

Student Loan Bankruptcy

A known fact is that Americans owe more on student loans than on credit cards, with student borrowing exceeding \$1 trillion for the first time last year. We encourage Congress to review this situation and begin discussions for reform to avoid a crisis like the mortgage foreclosure crisis. Discussions need to center around the necessity to restore at least some level of bankruptcy discharge for student loans. Both the dischargeability of private student loans and federal student loans must be discussed and decisions made to extend greater relief to responsible student loan borrowers.

Work Study Funding

Increased funding for the campus based work study program could help effectively reduce the loan burden for many students. In addition, an increase in overall funding offers an opportunity to better match students to jobs that might have direct career impact. One example is computer support positions for those students interested in information technology.

In conclusion, ISFAA is pleased to share these thoughts and concerns. Our goal is to work with Congress and the U.S. Department of Education to ensure students have access to federal and state financial aid programs to be able to pursue their goal of a college education.

Sincerely,

Heidi Carl
ISFAA President
hcarl@uindy.edu

Kim Bennett
ISFAA President Elect
bennettk@trine.edu