



**SCHOLARSHIPS AND
STUDENT AID**

**THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
OFFICE OF SCHOLARSHIPS AND STUDENT AID**

aidinfo@unc.edu

☎ 919-962-8396 | ☎ 919-962-2716

Pettigrew Hall | Room 111 | Campus Box 2300

P.O. Box 1080 | Chapel Hill, NC 27514-1080

studentaid.unc.edu

U.S. Senate Committee on Health, Education, Labor and Pensions
Committee Hearing: Time to Finish Fixing the FAFSA

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Written Testimony of:

Rachelle Feldman

Associate Provost and Director of Scholarships and Student Aid

The University of North Carolina at Chapel Hill

Biography

Rachelle Feldman is the Associate Provost and Director of Scholarships and Student Aid at the University of North Carolina at Chapel Hill. She holds several leadership positions in national student financial aid and financial education organizations including being a Trustee of the National Endowment for Financial Education (NEFE), Chair Elect of the Higher Education Loan Coalition (HELCO) and Past Chair of the Coalition of State University Aid Administrators (COSUAA). Rachelle is a past national board member of the National Association of Student Financial Aid Administrators (NASFAA) and remains active in many task force and committee roles and was chair of NASFAA's Prior-Prior Year Implementation Task Force. Prior to joining UNC Chapel Hill Rachelle was Assistant Vice Chancellor of Financial Aid and Scholarships at the University of California, Berkeley. She has a BS in Economics and a BA in Dramatic Art/Dance from UC Berkeley and an MS in Economics from Golden Gate University.

Testimony Summary

Why Simplification is Important:

- On our campus, we see firsthand how families and students, particularly those who are first generation and low-income, struggle with the complexity of the application.
- We are a public flagship that prides itself on being truly public – including making it affordable for anyone who earns their admission. More than 10% of our undergraduates are in Carolina Covenant – a no loans program for low-income students. Nearly 25% receive Pell grants and nearly half receive need-based financial aid.
- FAFSA simplification will enable aid offices like ours to spend more time counseling families and students and less time on helping families with the forms, following up on errors and verifying information using IRS tax forms.
- In a time like now with the COVID pandemic, it's more important than ever to be able to spend time reassuring students and dealing with their changing circumstances instead of walking them through forms.

Striking the Right Balance:

- We need to balance the integrity of the federal aid programs with this simplicity, ensuring we direct precious taxpayer dollars where they are most needed.
 - This is really important for key federal programs like the Pell grant.
 - It is also vital for states and institutions that are important partners in providing a complete student aid package to students. This is especially true for institutions like Carolina where we provide significant institutional funding to make college affordable across the income spectrum.
- We need a FAFSA that works for all - our lowest income students, middle income families that still need help to afford college, those seeking federal loans to finance their education, and those in non-traditional situations.
- We don't want to oversimplify and drive states and institutions to use supplemental forms or move the questions to the burdensome verification process.

Forward Motion and Progress:

- The FUTURE Act is great start. The implementation of data sharing through this Act will be an enormous step towards making things not only simpler, but more efficient. Eliminates issues with Data Retrieval Tool
- The quality and accuracy of information shared directly from the IRS should reduce verification burden.
- The FAFSA Simplification Act contains more progress – by ensuring those with means-tested benefits and simple income situations would answer fewer questions, and those with more complex tax situations would answer more questions (including questions about assets); by removing questions unrelated to financial strength. The proposal to separate Pell into a predictable formula can encourage college going behaviors but needs guardrails.

What is Needed: Expand Use of IRS Data in Federal Needs Analysis

The value of IRS data could be multiplied by using it in federal needs analysis. For example:

- Automatic verification on non-filing could mean no more information is needed for a zero Expected Family Contribution (EFC) or equivalent.
- The presence of no schedules (or only Schedule 1) paired with an income cap and means-tested benefits could also be used to eliminate further questions and automatically qualify students for Pell Grants.
- Other schedules and fields showing significant investments, business assets, and real estate holding could indicate that more information is needed, including assets which reflect generational wealth and resources, which are not available to other students, even when incomes are similar.
- Figures on Schedule 1 which lead to negative adjusted gross income (AGI) often significantly understate a family's ability to pay and should be added back to AGI in analysis of need including Pell eligibility.
- Foreign income is currently excluded from consideration, but in today's global economy, where foreign income is present it is often significant and should be included to be fair and equitable.

Campus Expertise and Application

- Schools know students best and it is important to pair any measure of need with Professional Judgement, codifying the use of Professional Judgement into law important for schools and students.
- With a simpler, but effective FAFSA and need analysis, schools can spend more time counseling students, helping in emergencies, improving financial literacy, and supporting students to completion.

Full Testimony

Chairman Alexander, Ranking Member Murray and Members of the Committee:

My name is Rachelle Feldman; I am the associate provost and director of scholarships and student aid at the University of North Carolina at Chapel Hill. Carolina is a public flagship that prides itself on being truly public, including making it affordable for anyone who earns their admission through their scholarship and hard work. More than 10% of our undergraduates participate in Carolina Covenant – our no loans program for low-income students. Nearly 25% of our undergraduates receive Pell grants and nearly half receive some kind of need-based aid. I see firsthand how students and families – particularly those new to the process – can get discouraged by complexity and can struggle to make it through the application process. In difficult times like the COVID 19 pandemic, I really see the worry and frustration of low-income families as they try to make it through all the paperwork. As aid officers navigating this pandemic, we want to help students not just pay for and succeed in college, but counsel students on all their options, help them with emergency aid, and support them with the full range of resources available. I applaud the Senate's efforts to make sure that students can more easily make it through the process and concentrate on their education.

At the same time, we need to ensure we balance the integrity of the federal aid programs with this simplicity. We must continue to do our best to direct these precious taxpayer funds where they are most needed. This is very important for key federal programs like the Pell grant. It is also key for states and institutions that are important partners to federal student aid in providing a complete package of support to students. Carolina provides significant institutional funding and strives to make college affordable to every student across the income spectrum. This means we need a FAFSA that works for our lowest income students, but also for middle income families that still need help to afford college and for those seeking federal loans to finance their education.

Those of us on the ground at colleges and universities are very excited about the passage of the FUTURE Act. Simply said, we think it can be a game changer. While the IRS Data Retrieval Tool (DRT) has already been very helpful, too many applicants cannot use it. Once the direct share of IRS information allowed by FUTURE is implemented, this will be a huge step forward – simpler and more efficient for the whole process. Using what we already know about a student's finances without having to ask will not only make students more likely to complete the application process and attend college, but we can be assured of quality and accuracy. This means not subjecting as many families to verification – a process many of the neediest students struggle to complete.

I am especially excited to know that more IRS data will be shared, including information about which tax schedules are filed and key line items from those schedules. I hope that we will see additional legislation that will leverage this data to further streamline the process where appropriate. While this expanded information is immediately helpful for awarding institutional aid, its value could be multiplied by using it in federal needs analysis. For example:

- Automatic verification on non-filing could mean no more information is needed for a zero Expected Family Contribution (EFC) or equivalent.
- The presence of no schedules (or only Schedule 1) paired with an income cap could also be used to eliminate further questions. This could be expanded further if the family or student indicates receipt of certain means-tested benefits, which should qualify them for the maximum Pell Grant.
- The presence of other schedules and fields showing significant investments, business assets, and real estate holding could indicate that more information is needed, including information on assets. Assets can reflect generational wealth and resources, which are not available to other students, even when incomes are similar.
- The presence of negative figures on Schedule 1 which lead to negative adjusted gross income (AGI) often indicates that the current formula significantly understates a family's ability to pay for college. I suggest including these figures and adding them back to AGI in the analysis of EFC.
- Foreign income is currently excluded from consideration, but in today's global economy, where foreign income is present it is often significant and should be included to be fair and equitable.

I also applaud many of the ideas in the FAFSA Simplification Act, particularly:

- Fewer questions for those with means-tested benefits and simple income situations, and more questions for those with more complex tax situations, including questions about their assets.

- the removal of questions that do not have any impact on the formula to determine need, such as those about drug conviction and selective service registration.
- renaming the EFC to a need index. With a real reconsideration of form and process, this makes a lot of sense and will give families more clarity.
- the predictability of a simple lookup chart for Pell eligibility, decoupled from the more complex information needed to package other aid. This makes good sense and can help encourage college going behaviors. This eligibility method should effectively reverse the 2011 cuts to “auto-zero” for all families, particularly single independent students who don’t have a system of family support.
- I hope though that aid administrators will be given some guardrails to help ensure program integrity, such as the ability to use Professional Judgement to reduce a Pell grant if the AGI does not appear to reflect a true ability to pay.

In order to stretch our precious taxpayer dollars, it is so important that we target the funds where they are needed most. Our program for our lowest income students, the Carolina Covenant, promises the opportunity for debt-free graduation and includes co-curricular and academic supports. At Carolina we have 4,200 students eligible for Pell grant but when we look at them with more scrutiny, 200 aren’t eligible for our grants because of other assets or other untaxed income. While this seems a small percent, the funds saved for state taxpayers are significant and the program is better targeted to those who need it. We also have programs for middle income students and need to be able to distinguish students above the Pell grant limit from one another to make sure every student can afford and graduate from Carolina.

I would love to see a FAFSA that not only simply and equitably helps us distribute Pell, but also contains enough information to eliminate any need for supplemental forms. As simple as we make the FAFSA, we also need to ensure it makes sense for all families, including those in non-traditional situations (e.g., students supported by grandparents or other guardians, those with non-custodial parents providing support, those self-employed parents or students, those with small businesses and those with traditional employment).

I’d like to offer a couple of other considerations from “on the ground.” The aid process can be confusing for students even after they successfully apply, and an aid administrator has taken the time to truly dig into and understand each student’s situation. Simply stated, we know our students best.

- Even if it is very well designed and appropriate, changing the measure of a student’s need to a new index partway through their school career may be confusing. I hope that if you pass legislation changing the federal formula, include a transition period and allow aid administrators to hold students who have been receiving aid under the old rules harmless as they finish their degree.
- In addition, aid administrators need the reassurance of the 2009 Dear Colleague Letter (GEN 09-05) on unemployment clarifying the use of Professional Judgement for unemployed students and families. This ability to locally update and evaluate a student’s true and current situation based on reasonable documentation and assumptions is essential for applying whatever measures are in place fairly and moving students towards graduation whose circumstances have changed. Recent guidance from this Administration was too vague and missed some key parts. Unemployment benefits should be counted as zero, since they are only a temporary benefit, and the Departments of Education and Labor should inform students of their aid eligibility. I hope you will consider codifying this in law, including the ability to assume zero income for unemployed independent students
- Again, in times like this pandemic with the loss of income and resources we already see our students facing, we need more resources to help them. We also need the flexibility to evaluate their current situation.

I hope, once we truly implement the FUTURE Act and simplify the process of applying for aid, we in the aid offices can spend less time on helping families with the forms, following up on errors and verifying information using IRS tax forms. Instead, I hope we can have more time to counsel families on the types of supports available, help students facing emergencies, address special circumstance and financial literacy, and support students not only with access – but to completion – success!

Once again, let me thank you for the steps we have taken with the FUTURE Act and the excellent proposals to make things easier and simpler for all families – but particularly those most vulnerable to getting discouraged. I hope you will support steps to integrate even more information from the IRS with ED to eliminate more questions, but equally importantly to improve the quality of the index information the federal government, states, and colleges use to award financial aid.