

Senate Majority Policy Committee Hearing  
October 17, 2016  
Mr. James Preston, PHEAA President & CEO  
Testimony

Chairman Argall, Chairman Smucker, Chairman Dinniman, members of the Committee and staff - on behalf of the PHEAA Board of Directors, I would like to thank you for this opportunity to provide testimony today.

PHEAA was created by the General Assembly more than 50 years ago. Today, the Agency provides a variety of student aid administrative and public services for the Commonwealth. This includes using our business earnings to support our operations and the direct funding of student aid programs that benefit students and families throughout Pennsylvania.

In 2015-16, more than 511,000 college-bound individuals submitted a Free Application for Federal Student Aid (a FAFSA) to attend a Pennsylvania State Grant-eligible postsecondary school. The FAFSA is the primary application used to determine eligibility for federal, state and institutional-based aid.

Of those FAFSA applicants, more than 455,000 individuals also submitted an application for the State Grant Program, resulting in 153,000 need-based State Grant awards being disbursed in 2015-16. These awards were used to help pay tuition at 277 State Grant-eligible postsecondary schools within the Commonwealth. This includes 14 state-owned universities, 28 state-related schools and campuses, 21 community colleges and campuses, 111 private schools, 18 hospital schools of nursing and 85 business, trade and technical schools.

For 2015-16, the Commonwealth provided a \$266 million appropriation for the State Grant Program. Additionally, PHEAA's Board of Directors allocated \$125 million from the Agency's business earnings to supplement the program. Combined, these resources provided for a maximum State Grant award of \$4,340.

PHEAA also provided \$10 million in funding to support the Distance Education Pilot Program and \$6 million to fund PA-TIP (Pennsylvania Targeted Industry Program).

In total, PHEAA provided an additional \$141 million in direct funding to support student aid programs in 2015-16 and more than half a billion dollars over the last 6 years.

PHEAA also uses its earnings to support a variety of outreach and awareness initiatives, much of which is focused on helping students make wise choices and avoid unnecessary loan debt.

This includes PHEAA's 14 Higher Education Access Partners who live and work in communities throughout the Commonwealth. These professionals provide a variety of hands-on student-aid related services to students, families, educators, schools, and community partners.

As a group, our Access Partners participate in nearly 4,000 financial aid events annually. Many of these events are held in cooperation with local legislators to help increase awareness among your constituents of various student aid opportunities, application processes and how to borrow money responsibly.

Regardless of these efforts, student loan debt continues to be a serious concern – not just for PHEAA, but for members of this Committee, students, and families, as well.

Pennsylvania is fortunate to have one of the largest and most diverse higher education communities in the nation. This diversity spans the spectrum of accessible low-cost postsecondary schools, including community colleges, and higher priced private schools and top-tier public institutions.

The size and diversity of this community helps make Pennsylvania a net importer of college students - but also contributes to the Commonwealth's ranking as having the third-highest student loan debt levels among graduates.

According to a recent study (*Institute of College Access and Success*), 70% of Pennsylvania college graduates leave school with some level of student loan debt.

A typical 4-year college graduate in Pennsylvania who borrowed money for school graduates with more than \$33,000 in student loan debt.

For perspective, a freshman borrowing that amount at today's 3.7% unsubsidized federal student loan interest rate would need to make a \$330 payment every month over the course of a standard 10-year repayment plan.

PHEAA has consistently advocated for students and families to avoid unnecessary debt and has been leading efforts aggressively with community outreach, planning guides, online tools, and other resources.

Unfortunately, it still seems that many borrowers only become fully aware of their debt levels after they leave school. But by then, this realization is often too late.

To help reverse this trend, PHEAA created MySmartBorrowing.org.

This free resource engages high school students and potential borrowers early in the planning process – before any decisions are made to borrow money - helping them to make smart choices as they develop their higher education success plan.

MySmartBorrowing.org provides unique estimators that help determine a student's possible higher education costs at different schools, future salary expectations for a particular degree, availability of employment opportunities, and their potential ability to repay loans comfortably while also affording an independent lifestyle after graduation.

The site is optimized for mobile devices, so you can access MySmartBorrowing.org on your smartphones at any time... and we encourage you to share this tool with your constituents.

MySmartBorrowing.org is one of many free resources that PHEAA provides for the Commonwealth at no cost to taxpayers.

These include EducationPlanner.org, which is our one-stop career and college-planning website; YouCanDealWithIt.com, which helps graduates and soon-to-be graduates prepare for life after college with debt management and career development advice; and PHEAA.org, which provides useful information on available state and federal student aid programs, including the Pennsylvania Student Aid Guide.

We've also recently launched - just last month - a new mobile app that helps AES and FedLoan Servicing borrowers manage their loan debt 24/7 regardless of their location – as long as they have a mobile device. This app provides the ability to easily view their account status, make payments, and update bank and personal information.

The app is free and we expect it to help borrowers better manage their debt more conveniently – especially those with an active, always on-the-go lifestyle.

Regarding recent legislation that was enacted in Nebraska and Indiana that requires postsecondary schools receiving state resources to communicate specific, detailed loan debt information to students annually, we have some initial thoughts.

Clearly, the primary goal of any such legislation is to provide practical, effective and meaningful benefits to students.

Much of this information is already available to students via the National Student Loan Data System (NSLDS). But they must take the initiative to access their information in order for it to be beneficial.

This level of detailed student loan information is not as easily accessed by schools and future debt projections could become problematic depending on each borrower's behavior after graduation. For example, deferments, forbearances, consolidation, and loan forgiveness can significantly influence a borrower's debt situation after graduation.

Currently, U.S. Department of Education guidelines require “entrance counseling,” which occurs before a student receives a first federal student loan, and “exit counseling,” which provides important information the student needs to prepare for repayment upon graduation. This loan counseling is often provided online using a counseling tool provided by the federal government.

However, these sessions are general in nature and do not provide individual borrower information. Lacking such specificity, providing individualized borrowing information to students would be helpful, provided they have the financial awareness to fully understand what is being provided to them.

So the key is not necessarily to provide more information that may not be fully understood – but to ensure that a greater awareness of a student's individual borrowing situation, including debt levels and repayment obligations, is communicated and understood each year as the student progresses through school.

Annual debt reporting requirements that are similar to the Nebraska and Indiana legislation are also being discussed at the federal level as part of the upcoming Reauthorization of the Higher Education Act. This would affect all federal Title IV eligible schools, which encompasses 321 Pennsylvania postsecondary schools, not including branch campuses.

Regardless of any guidelines requiring postsecondary schools to provide more comprehensive and frequent student debt information to their students, we believe that early intervention and increased financial literacy - before any decisions are made to borrow money - is often the key to avoiding unnecessary and burdensome student loan debt.

PHEAA's extensive outreach programs and services, including our online awareness tools, such as MySmartBorrowing.org, and our Higher Education Access Partners, who provide assistance to tens of thousands of your constituents throughout the Commonwealth, are part of the solution to a complex problem.

PHEAA continues its work to develop new ways to support Pennsylvania students in their pursuit of higher education, while increasing financial literacy and responsible student loan borrowing.

We sincerely appreciate this Committee's work to explore additional solutions that can help alleviate student loan debt within the Commonwealth and we look forward to assisting you in your efforts.

This concludes my remarks. I want to thank you again for the opportunity to appear here today. I welcome the opportunity to answer your questions.