Chairman Alexander: Prepared Remarks
AEI Higher Education Event
February 4, 2019

Chairman Lamar Alexander (R-Tenn.): A college graduate paying more than $1000 per month on student loans recently wrote, "I was told to chase down a bachelor's degree by any means necessary. But no one mentions just how expensive and soul-crushing the debt will be."

The United States has most of the best colleges in the world, but also the most graduates paying off college debt.

Roughly 40 million borrowers owe $1.5 trillion in collective student loan debt.

The questions I hear most often about college are:

Can I afford it?

Is it worth it?

And can you make applying for financial aid and repaying student loans simpler?

And from administrators as well—can't you do something about the jungle of red tape that makes it so hard to apply for federal financial aid, to pay back student loans and that wastes money on overhead that could instead be spent on students?

Today, I have three proposals to help make the answer to all four of those questions YES.

First, simplify the FAFSA.

We can cut from 108 to no more than two dozen the number of questions on the dreaded Free Application for Federal Student Aid – the FAFSA – that 20 million families must fill out each year if they want a federal grant or loan to help pay for college.

At our first hearing on updating the Higher Education Act in 2013, Kim Cook from National College Access Network testified that this simplification should encourage 2 million more students to apply for federal grants or loans that would make college more affordable for them.

Second, a new way to repay student loans.

We should scrap the current system of nine different ways to repay federal student loans that was described by Dr. Susan Dynarski, a professor at the University of Michigan, at

another hearing as “a rigid archaic payment system that unnecessarily plunges millions into financial distress.”
It should be replaced with two options, both of which would automatically deduct payments from your paycheck:

The option I believe most borrowers would choose is a repayment plan based on a borrower’s income, which would never require the borrower to make payments of more than ten percent of his or her discretionary income.

And it makes sure if there were no money earned, there would be no money owed, and that would not reflect negatively on a borrower’s credit.

The other option would be a 10-year payment plan, with equal monthly payments, similar to a 10-year mortgage.

Third, I am proposing a new accountability system based upon whether borrowers are actually repaying their student loans.

This should lower tuition for some programs, or even discourage schools from offering programs that are not worth it to students.

All three of these proposals should help students afford college and make sure that the degree they earn is worth the time and money they pay for it.

During the last four years, the Senate education committee has held 27 hearings on the Higher Education Act.

These hearings have resulted in a number of bipartisan proposals that make college more affordable and worth students’ time and money.

Some of these bipartisan proposals align with the Committee’s agenda:

For example, Senator Jones and I, along with Senators Bennet and Collins, have worked on one way to simplify the FAFSA.

And last year, the Senate passed legislation Senator Murray and I plan to reintroduce this year that would allow FAFSA applicants to answer up to 22 questions with one click.

Senators Burr and King have offered a way to simplify the bewildering loan repayment system.

And there are other good ideas:

For example, Senators Murphy, Enzi and Hassan are interested in expanding competency based education programs on campuses.

Professor Walter Russell Mead describes these programs as "measuring whether a student is learning stuff instead of measuring how long he or she sits in their seat."

Senators Grassley and Smith have proposed requiring all institutions to use uniform language in award letters so students can easily compare financial aid offers from different schools and distinguish whether the awards are loans that must be paid back one day or are grants that do not have to be repaid.

Senators Grassley and Smith have also proposed making it easier for institutions to counsel students about how much money they should borrow.

Senators Cassidy and Warren have introduced legislation to collect data that would help consumers make better educated decisions on where to go to school by providing program-level information on how much debt students take on and how much they earn after college.

And last Congress, Senators Shaheen and Hatch introduced legislation to create a student loan repayment accountability system.

I have talked with other Senators on our Committee who are interested in higher education – Senators Murphy and Warren are interested in expanding Pell grants to prisoners; Senators Young and Hassan are interested in experimental sites; and Senator Kaine and I discussed allowing students to use their Pell grants to pay for shorter programs.

In addition, in 2013, Senators Bennet, Mikulski, Burr and I asked a cross section of college administrators to recommend to us specific steps to simplify and make more effective the thousands of pages of regulations that accompany the grants and loans the federal government pays to colleges.

The result was the Kirwan-Zeppos report that had 59 recommendations to eliminate what the report calls a "jungle of red tape" that wastes money on costly overhead that could be instead spent on students.

This year, I have met with Ranking Democrat Senator Patty Murray and nine other committee members to discuss compiling these ideas into a single piece of legislation.

My goal is to report that legislation out of committee by spring so that the full Senate can consider it this summer.

That schedule should permit a conference with the House of Representatives on their version of reforms to the Higher Education Act so that we can produce a present for 20 million college students and their families by Christmas.

Before I go into my three proposals, I would like to mention the remarkable growth of higher education in the United States.

The federal government's system of grants and loans that helps students pay for college is one of the most successful of all federal programs and is certainly one of the most generous.

Federal aid began with the GI Bill for Veterans in 1944, when veterans returning home from World War II were offered scholarships at the college of their choice.

Then, only about 5 percent of Americans had earned bachelor's degrees, mostly from private institutions.

The GI Bill model of students taking federal dollars to the institution of their choice grew.

Congress created a limited federal loan program in 1958 and expanded federal student loans to all students in the first Higher Education Act in 1965.

By then, about ten percent of Americans had earned a bachelor's degree.

In 1972, Pell Grants were created to help students from lower-income families pay for college.

This aid has helped to make a college degree widely affordable for students to attend 6000 institutions that are among the best in the world.

Last year, 60 percent of our country's 20 million college students received federal aid -- $28 billion in grants and $90 billion in new loans.

And today, about 35 percent of Americans have a bachelor's degree.

The federal taxpayer's generosity is supplemented by state government.

80 percent of college students attend public institutions that receive $87 billion from states every year.

Tennessee became the first state in the country to make two years of college free for everyone, an effort led by our state's Governor Bill Haslam, and 16 states have similar programs.

And there is a vast system of private scholarships, loans, and work programs to assist students who want a college education.

Paying for college is never easy, but because of such generosity by taxpayers, foundations and private individuals, it is easier than you may think.

In addition to the 16 states where two years of college is free for many students, for most students from lower income families, for states in other states, two years of college is nearly tuition free is nearly tuition free as well.

The average tuition for a community college is $3,700; the average federal Pell grant, which does not have to be paid back, is $3,900.

Public universities have tuition levels that are reasonably low; tuition at the University of Tennessee is $13,000 per year.

More and more private institutions, such as Vanderbilt, are guaranteeing students who are admitted will not have to pay more than their family can afford.

And while the total student debt is large at $1.5 trillion, for the graduate with a four-year degree, the average student loan debt is just under $30,000—about the same as the average car loan.

Nevertheless, despite this extraordinary generosity, many students struggle to pay for college and to pay off debt that they incur in order to attend college.

That is why I am offering these three proposals today, to help students afford college and make their degrees worth the time and money they pay for them.

First, simplifying the FAFSA.

The cumbersome FAFSA is one major impediment to low-income students who want to go to college.

They and their parents are intimidated by the complexity, are wary of the government form and don't see why they should have to give the Education Department information they have already given to the IRS.

The former president of Southwest Community College in Memphis told me he believes that he loses 1,500 students each semester because of the complexity of the FAFSA.

A woman who has mentored with Tennessee's free tuition program, the Tennessee Promise program, said the complex form has a "chilling effect" – intimidating parents who may themselves never have attended college and have no experience navigating the process.

And over and over families have asked me, "I've already given most of this information to the federal government when I paid my taxes. Why do I have to do it again? Once is enough."

To make matters worse, there is a verification process that stops the payments of Pell Grants while the family scrambles to resubmit their tax information again and the government checks to make sure that the information is correct.

I recently talked with another administrator from Southwest Community College who told me that over one third of the applicants who put down the school as an option on their FAFSA application were selected for verification last fall.

At a school where over 60 percent of students receive a Pell Grant, this is a huge burden for the low-income students who we want to fill out the FAFSA the most.

This is happening across Tennessee – the President of East Tennessee State University told me one third of his students who receive federal financial aid were subjected to this verification procedure this year.

I have two proposals to simplify the FAFSA:

First, Senator Jones and I, along with Senators Bennet and Collins, are reintroducing legislation soon that would reduce the number of questions from 108 to 15-25 basic questions about a student, their family and their plans for college.

We would keep providing the information that states and institutions use to calculate additional aid, to prevent students and families from having to complete additional paperwork down the line.

Senator Jones's and my legislation would allow students as young as middle school to easily learn about their likely Pell Grant award with a phone app or a chart, so they can begin to think about and plan for college.

The second way to simplify the FAFSA is legislation the Senate passed last year and that Senator Murray and I plan to reintroduce this year, which would allow families to answer up to 22 FAFSA questions with just one click.

It does this by ending the need for families to give the same information to two different federal departments – the Department of Education and the Internal Revenue Service.

It would also:

Simplify the burdensome application process for the 40 percent of applicants who do not file federal income taxes but likely qualify for Pell grants;

Dramatically decrease the number of students whose aid is tangled up when they are selected to be verified; and

Eliminate the $6 billion in mistakes that the Treasury Department estimates are made each year by awarding an applicant too much or too little aid.

My second proposal, to help make federal loans more affordable once students graduate, will simplify the nine different ways to repay loans into two options.

The current system is so complex that even college administrators struggle to navigate it.

At a roundtable at the University of Tennessee – Martin, a Tennessee college president told me it took him months to figure out how to help his daughter pay off her federal student loans in full, even with the money in hand.

This proposal would streamline those nine plans into a new option that guarantees that borrowers would never have to pay more than ten percent of their income that is not needed for necessities.

And if a borrower loses their job or does not make enough, they would not pay anything and it would not hurt their credit score.

The monthly payment would be automatically withheld from borrowers' paychecks, just like federal taxes.

I believe every student will want to take advantage of this simple and affordable new option, but if not, they will still be able to opt to pay on the existing 10-year loan repayment plan schedule, which, for many borrowers, will help them pay off their loans fasters.

Just like the new repayment plan, borrowers who wish to pay their loan off faster would have their payments automatically deducted from their paycheck.

Let's talk about how the new income-based repayment plan would work:

Joe earned his bachelor's degree in engineering.

He has the average loan for college graduates of $28,500.

He makes $60,000 – that is what the Census Bureau says is the median starting salary for someone with an engineering degree.

He is unmarried and has no children.

So that year, we deduct the portion of his income that is needed for necessities – that is $18,735 – and what is left is what we call his discretionary income -- $41,265.

He will pay ten percent of that $41,265 a year, which is $4,127 – or $343 a month.

Under this proposal, even if he never gets a raise, Joe will pay back his loan in 9 years.

Now, let's take Maya, who earned a bachelor's degree in economics.

She also has the average loan of $28,500.

Her starting salary is $43,000 – the median staring salary for someone with a degree in economics, according to the Census Bureau.

She is also unmarried and has no children.

So that year, we deduct the same thing for necessities –$18,735 – and that leaves her discretionary income at $24,265.

Maya will pay ten percent of that $24,265, a year which is $2,427, or $202 a month.

Under this proposal, even if she never gets a raise, Maya will pay back her loan in 16 years.

Stephanie earned her associates degree from a local community college.

She has $10,400 in student loan debt – the median amount a recent community college graduate would expect to have.

Her starting salary is $39,000 – the median salary for a 25-29 year old with an associate's degree.

She is unmarried and has one child.

So the portion of her income that is needed for necessities –$25,365 – is larger because it is supporting two people. That leaves her discretionary income at $13,635.

Stephanie will pay ten percent of that $13,635 a year, which is $1,364, or $114 a month.

Under this proposal, Stephanie will pay back her loan in 10 years even if she never gets a raise.

Finally, let's look at someone who isn't able to repay their loans.

John went to community college for a year, took out $7,500 in student loans, but dropped out after his first year.

He makes $20,000 a year.

He is unmarried and has no children.

So we deduct the portion of his income that is needed for necessities –$18,735 – and that leaves his discretionary income at $1,265.

John will pay ten percent of that $1,265 a year, which is $127.

Under this proposal, assuming he never gets a raise, John will have not repaid his loan in 20 years.

In three out of these four examples, the borrowers were able to pay back their loans in 20 years.

And if these students have reasonable salary increases, they would pay off their loans even sooner.

But for those undergraduate students like John who never make enough to pay back their loans in 20 years the amount that hasn't been paid after 20 years is forgiven under current law and that seems like a policy we should keep.

Under this new repayment system, students will have a manageable payment and most will completely pay off their loans, which is good for the student and is good for the taxpayer.

This new option should end the nightmare that many students have of never being able to afford their student loan payments.

My third proposal is a new accountability system for colleges to make sure the degrees they offer are worth students' time and money.

This new accountability system would measure whether students are actually paying off their loans.

The proposal would simplify and expand what the gainful employment rule, proposed in 2014 by the U.S. Department of Education, tried to accomplish.

What is different is it would apply to every program at every college – public, private, and for-profit – and the measure will be much simpler.

For some programs, this should provide colleges with an incentive to lower tuition and help their students finish their degrees and find a job so they can repay their loans.

There will be other good ideas.

And some of them are difficult.

One of these is rules about campus safety.

The U.S. Department of Education has proposed a rule addressing campus safety by clarifying what is required by Title IX.

I'm glad to see the Department is going through the rulemaking process, which allowed the public to submit comments.

It is my belief that Congress can also address some of these issues.

And I am committed to trying to do that.

We have a Committee with many different voices and diverse views but we have been successful in bringing legislation with broad bipartisan support, including with a divided government, including fixing federal student loans, the law fixing No Child Left Behind, the 21st Century Cures Act, and legislation to combat the opioid crisis.

In my conversations with Democrat and Republican senators, I have found a remarkable degree of bipartisan consensus about the directions we should take to make college affordable and make students' degrees worth their time and money.

Of course, there will be differences of opinion and if there are, we will resolve them the traditional way: by voting.

And if we cannot agree on one thing, I would be willing to do as our committee has in the past, which is move forward on those important matters on which we can agree.

There has never been a time when more Americans agree that education and training beyond high school is essential to a good life and a higher income.

It is our responsibility to take whatever steps we can to help students afford college and make sure that the degrees they earn are worth the time and money they pay for them.

###