AIHEC TRIBAL Colleges: *Educating, Engaging, Innovating, Sustaining*

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Senator Lamar Alexander
Chairman
Committee on Health, Education, Labor and Pensions
United States Senate
428 Senate Dirksen Office Building
Washington, DC 20510

Dear Chairman Alexander:

On behalf of the nation's Tribal Colleges and Universities (TCUs), which are collectively the American Indian Higher Education Consortium (AIHEC), I write to offer comments on the institutional risk sharing, or "skin in the game," student loan proposals put forward by your Committee. As you and your staff continue work on a comprehensive reauthorization of the Higher Education Act (HEA), we appreciate your willingness to work collaboratively with affected stakeholders and the opportunity to provide the unique perspective of TCUs on these complex issues.

TCUs were created in response to the higher education needs of American Indians and generally serve geographically isolated populations that have no other means accessing education beyond the high school level. The nation's 37 TCUs combine personal attention with cultural relevance to encourage American Indians—especially those living on reservations—to overcome the barriers they face to higher education.

The Tribal College movement grew out of the American Indian "self-determination" movement and TCUs have continued to grow and flourish over the past 40 years. TCUs are open enrollment institutions, all of which offer associates degrees, while 13 offer bachelor degrees, and five offer masters degrees. These institutions provide access to higher education for 80 percent of "Indian Country" and serve over 89,000 students and community members on an annual basis.

Currently, only three TCUs participate in the federal student loan programs. TCUs maintain extremely low tuition and fees, which often precludes the need for borrowing. However, many TCUs are expanding their academic offerings, with many looking to expand or develop new degree programs at the four-year undergraduate and graduate levels. A natural outgrowth of this success, particularly when combined with inflation, is increased participation in the federal loan programs.

Unfortunately, the proposals outlined for risk sharing, or "skin in the game," will present a significant barrier for institutions seeking to participate in the program, in particular those that are open admissions. TCUs are already wary of the loan programs, particularly because of the "all or nothing" approach to cohort default rate (CDR) penalties. In the current environment, many TCUs believe the risk of losing access to all Title IV programs does not outweigh the benefit of providing students with access to these loan funds.

The federal loan programs could become a critical tool to expanding TCUs ability to offer multiple levels of degrees in multiple disciplines. Unfortunately, the current structure of these programs does not allow for many TCUs to offer Direct Loans, and the risk-sharing proposals outlined in the white paper would create even greater barriers for TCUs and their students in accessing these programs.

As currently constructed, the Direct Loan program is not a useful tool for providing aid to students at most TCUs. We are hopeful this reauthorization will offer an opportunity to make the programs more accessible to AIHEC member institutions, but the loan programs, as envisioned to date in the *Financial Aid Simplification and Transparency (FAST) Act* (S. 108) and this white paper, would be even less attractive for TCUs and their students. The elimination of subsidized student loans as well as the introduction of institutional risk sharing in any form may lead the participating TCUs to cease offering Direct Loans, and will certainly slow or stop efforts among the other TCUs to make these loans available to their students.

Despite the proposals put forward to date, we remain hopeful this HEA reauthorization will foster an environment where more TCUs feel empowered to make federal loans available to their students at the appropriate time for each institution and its students. The financing needs of TCU students will ultimately drive these decisions, but current and future barriers to institutional participation in the loan programs cannot and should not be ignored. There are two principal areas where Congress may be able to offer some assistance via HEA reauthorization:

1. <u>Eliminate the "all or nothing" connection between CDR penalties and access to all Title IV aid</u>. The white paper acknowledges the current institutional accountability mechanisms in the Direct Loan program, CDR penalty rates, are highly ineffective. They do not appear to weed out "bad actors" and they can often serve as a barrier to participation for institutions with very small pools made up of high-risk borrowers, such as the TCUs. As part of HEA reauthorization, Congress should consider decoupling loan access and access to *all* Title IV aid. The current scheme is ineffective as an enforcement tool and a barrier to TCUs and other institutions.

2. <u>Provide a first-time participant program for institutions looking to enter into the Direct Loan program.</u> To expand participation in the program, the current de minimus borrower exemption for CDR calculations for institutions beginning to offer Direct Loans could be expanded for the first several years of an institutions participation in the loan programs. By extending this modified exemption, small schools deciding to participate in the program would be given time implement best practices and understand if the loans are truly helping their students in achieving their academic goals.

   Additionally, in the event Congress decides to add new financial requirements for loan program participation, such as risk-sharing, there needs to be an exemption for institutions to begin participating in the program. Any new financial requirements (i.e. partial guarantees, participation interests, or default insurance) should be removed or at least greatly eased for schools new to the program.

We thank you for your consideration of these comments. As you continue the important work of HEA reauthorization, we encourage you to consider the impact of proposed changes on TCUs and look forward to working with you, and your exceptional staff throughout the process.

Respectfully,

Carrie L. Billy, J.D.