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THE WORKFORCE ALLIANCE

MAKING HEA AN ENGINE OF ECONOMIC PRODUCTIVITY AND WORKER PROSPERITY

The Problem: Between now and 2020, the share of workers with more than a high school education is projected to rise by only 4 percent—as compared to an increase of nearly 20 percent over the previous two decades. The skill requirements of today's and tomorrow's jobs continue to rise—by 2020 it's estimated that 15 million new jobs will require college preparation. This coming "skills gap" has profound implications for our country's ability to increase economic productivity and for our workers' ability to earn enough to support their families.[1]

The Higher Education Act (HEA) Can Be a Key Part of the Solution: If modernized to support economic development and meet the needs of business and workers, HEA can play a central role in addressing the skills gap. Changes are urgently needed to better align HEA with the needs of employers and the realities of working adults' lives. We need to:

Increase enrollment and persistence by working adults and older youth through services and grant aid that help them better balance school, work, and family.

- **Reduce the "work penalty."** When determining eligibility for federal financial aid, allow single, independent students to keep a greater share of their earnings. This would recognize their need to support themselves and their families while in school. The need analysis should also reflect the greater costs faced by students with dependents and should exclude the Earned Income Tax Credit.

- **Strengthen ties between colleges and business workforce needs**. Create a federal Business Workforce Partnerships initiative that funds on-campus staff to partner with employers to link credit-bearing college programs to business workforce needs, adapt college offerings to workers' schedules, map and develop career and educational pathways, expand worksite learning opportunities, and assist students with job placement.

- **Ensure financial aid is available when needed.** Make Pell grants available year-round to help students complete programs more quickly. Institute a pilot program to provide more aid, for a limited number of terms, to less-than-half-time students by giving them aid on the same basis (prorated appropriately) as full-time students, factoring in such costs as room and board and loan repayment. An Illinois study found most students attend less than half-time only temporarily (averaging 7.6 credits per term) and concluded that aiding them could increase persistence and completion.[2]

- **Streamline access to financial aid for adults and older youth.** Simplify access to aid through such means as check-off boxes for dislocated workers (so that aid administrators are alerted to use current year income for eligibility) and for individuals who already have documented financial need for other means-tested benefits.

- **Expand on-campus services that support success for working adults and older youth.** Increase funding for Student Support Services (part of TRIO), which provides a broad range of academic, personal, and career services to promote completion. End the unfair distribution of campus-based funds—such as work-study and supplemental grants (SEOG)—and instead have these funds follow the neediest students.

Currently less than 10 percent of federal campus-based aid goes to community colleges, for example, despite these colleges enrolling 42 percent of all low-income undergraduates.[3]

Protect working adults and older youth from becoming saddled with unmanageable levels of college debt.

- **Make loans more affordable from the start.** Eliminate origination fees. Origination fees were enacted over 20 years ago as a temporary way to raise revenues. These fees are not necessary to offset student loan program costs and amount to an unfair tax on borrowers. Encourage schools to participate in the Direct Loan program to help preserve competition in the student lending marketplace.

- **Preserve and expand flexible repayment options, such as income-contingent repayment**. Allow borrowers with income-sensitive or income-contingent repayment plans to extend these plans for longer than 10 years under certain circumstances. These options should apply to borrowers with proven economic need even if their outstanding loans total less than $30,000. Expand opportunities for borrowers in default to set up affordable repayment plans. Clarify that there is no minimum payment requirement for a reasonable and affordable payment plan. Eliminate potential tax consequences for borrowers who have made income-contingent payments for 25 years.

- **Provide relief for borrowers who become disabled or experience substantial deterioration in pre-existing conditions after incurring student loans**. Expand eligibility for the temporary disability deferment to include loans taken out after July 1993. Borrowers who have been repaying their loans, but then experience short-term disabilities, are often ineligible for any type of deferment. Reinstating the temporary disability deferment would help these borrowers avoid the spiraling, negative consequences of default. In addition, create a more equitable and efficient permanent disability discharge system by tying disability discharge criteria to Social Security Administration disability determinations.

For further information, please contact:

Deanne Loonin, National Consumer Law Center, 617-542-8010, dloonin@nclc.org
Julie Strawn, Center for Law and Social Policy, 720-941-1665, jstrawn@clasp.org
Jason Walsh, The Workforce Alliance, 617-542-1800, ext. 24, jasonw@workforcealliance.org
Amy-Ellen Duke, Center for Law and Social Policy, 202-906-8025, aduke@clasp.org

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[1] *Grow Faster Together. Or Grow Slowly Apart*. Washington, DC: The Aspen Institute, 2002. www.aspeninstitute.org/AspenInstitute/files/CCLIBRARYFILES/FILENAME/0000000225/DSGBrochure_final.pdf

[2] *Initiative to Aid Illinois Adult Learners*. Springfield, IL: Illinois Student Aid Commission, 2001. http://www.collegezone.com/media/research_adultintiatives_web.pdf

[3] *Trends in Student Aid 2002*. New York: The College Board, 2002; Susan P. Choy, *Low Income Students: Who They Are and How They Pay for Their Education*. Washington, DC: National Center for Education Statistics, March 2000. See also "Rich Colleges Receiving Richest Share of U.S. Aid," *New York Times*, November 9, 2003.