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Federal Campus-Based Student Aid Programs: A New Approach

"Campus Flex" Will Better Serve Students

Submitted by the Coalition of Higher Education Assistance Organizations
to the House Committee on Education and the Workforce
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The federal campus-based programs consist of the Federal Perkins Loan Program, Federal Supplemental Educational Opportunity Grants (FSEOG) and the Federal Work-Study Program (FWS). Each was created to work as a secondary or additional form of aid for students with need. The programs are unique from Pell Grants and Stafford or PLUS loans because they require institutional support and are managed by the individual institution in which the student attends. SEOG and Work Study are funded by federal appropriations while the Perkins Loan Program, in recent years, has been funded solely by repayments of previously issued Perkins loans. This has reduced the availability of Perkins Loans.

Perkins Loans help low- and middle-income students, a modest but important supplemental loan program that makes the difference between completing a college education and being derailed. The traditional Perkins Program serves borrowers from low-income backgrounds who cannot get private education loans to supplement other aid because their families don't have strong enough credit. They are also essential to many students whose families make a little too much for Pell Grant eligibility but can't pay for college expenses.

The Perkins Loan Program is the nation's longest running student loan program, created in 1958 as the National Defense Student Loan Program. In addition to offering favorable terms, Perkins Loans also feature the human touch of campus-based servicing, which allows on-campus administrators to provide Perkins borrowers with one-on-one service.

COHEAO proposes a new approach to managing the campus-based Programs called Campus Flex. COHEAO strongly believes in maintaining the campus-based programs. Unlike other federal aid programs, the campus-based aid programs are managed at the institutional level and offer aid administrators the flexibility to provide critical funding for students who have unmet need, without requiring them to resort to higher cost funding alternatives.

COHEAO believes that campus aid administrators are in the best position to assess the individual needs of their students. Preserving the campus-based programs is an essential way for aid administrators to assist low and moderate income students finance and remain in college. With the recent elimination of in-school interest subsidies for graduate students, the FWS and Perkins Loan programs provide a lower cost alternative to financing graduate education. COHEAO also recognizes that parents and students are often confused by the complexity of the federal student aid programs.

In an effort to uphold the goals of campus-based flexibility and to encourage greater simplicity, COHEAO proposes the following new approach called Campus Flex:

- Authorize One Single Appropriation: Currently FWS, FSEOG and the Perkins Loan program each have their own line item. In the Campus Flex proposal, Congress would provide campuses with one appropriation for the three campus-based programs.

- Retain Characteristics, Purpose and Function for Each Program: The individual purpose and structure of each of the campus-based programs is maintained. However, the programs' authorizing sections in three different Parts of Title IV of the Higher Education Act would be consolidated into one Part.

- Allow Institutions of Higher Education to Determine the Allocation Between Programs: Campus aid administrators would determine the allocation of appropriated funds among the three campus-based programs according to their students' needs for that academic year. Campus Flex expands the transfer permitted between programs giving aid administrators the ability to modify their allocations of limited campus-based program funding in order to meet the varying needs of their students.

- Permit Transfer of up to One-third of annual Perkins Loan Interest Collections to FWS and/or SEOG provided that the Campus Flex program receives appropriations.

- Reduce the Perkins Loan Grace Period: Perkins Loans would retain their current characteristics, except that the post-separation grace period would be reduced from nine months to six months to be consistent with other federal loans.

- Consolidate the List of Approved Cancellations: Currently, Perkins Loans are cancelled if a student enters certain public service careers. Over the years, the list of approved careers has grown significantly. COHEAO suggests updating the list to best reflect the original purpose of the Act. Campus Perkins Loan revolving funds would still be reimbursed for cancelled loans.

Campus Flex offers greater flexibility to campuses and allocates funds between the campus-based aid programs giving administrators the ability to provide consistency in financial aid packages for students as they move through their college careers. For example, a campus could find that there are not enough Work Study eligible jobs for its students, or that eligible students are accepting jobs outside of the Work Study Program. In either case, it could be beneficial to allocate more funding that year to SEOG or Perkins Loans.

This proposal is not a radical departure from current law, which permits up to 25 percent of appropriations for Work Study to be transferred to SEOG or Perkins and up to 25 percent of Perkins appropriations to be transferred to SEOG or Work Study. However, the flexibility to allocate a portion of annual Perkins Loan interest collections to FSEOG and/or FWS is a departure from current law. This expansion of the use of collected interest recognizes all three programs play important, but somewhat different roles in making sure aid is provided to the students who need it most and in the format that best benefits the student and college. Maintaining and increasing funding for the Perkins program will, in turn, generate important funds for other campus based aid programs.