



RISK-SHARING/SKIN-IN-THE-GAME CONCEPTS AND PROPOSALS COMMENTS SUBMITTED BY COUNCIL OF GRADUTE SCHOOLS

BACKGROUND AND OBSERVATIONS

The Council of Graduate Schools (CGS) appreciates this opportunity to provide comments and feedback on the whitepaper titled, “Risk-Sharing/Skin-in-the-Game Concepts and Proposals.” CGS membership includes over 500 institutions of higher education (IHEs) in the U.S. that annually award more than 92 percent of all U.S. doctorates and over 78 percent of all U.S. master’s degrees.

CGS believes that the overarching goal of the whitepaper, that IHEs have a role in reducing excessive and unnecessary student borrowing, is reasonable. However, CGS would like to raise the following points:

- The proposal does not take into account or acknowledge the fact that IHEs already have significant “skin-in-the-game” and many also engage in efforts that aim to facilitate responsible student borrowing;
- The “risk-sharing” framework proposal appears to be a one-size-fit-all approach, which narrowly focuses on penalties and sanctions against a few bad actors, and does not encourage innovative efforts by the broader range of postsecondary education providers, including graduate schools; and
- Currently, IHEs lack the statutory authority to effectively manage borrowing levels of individual students or to offer additional student loan counseling, other than currently required.

Thus, CGS would like the Committee, as it moves forward with reauthorizing the Higher Education Act, to take into consideration the diversity of students and the broad range of programs and institutions served by federal student aid programs. Furthermore, CGS urges the Committee to focus on policies that give IHEs the necessary tools and statutory options to better facilitate informed and responsible borrowing by students. CGS’s comments below should be viewed within this context. Nevertheless, CGS is encouraged to see the Chairman’s leadership on this critical issue and looks forward to being a part of the conversation and being a resource to the Committee by providing the perspective of master’s and doctoral education.

ENCOURAGE INNOVATIVE EFFORTS

CGS’s view is that the “risk-sharing” framework in the whitepaper narrowly focuses on penalties and sanctions against a few bad actors, and does not encourage effective and innovative efforts by rewarding good actors. CGS believes that if IHEs have more “skin-in-the-game,” it should be for efforts that facilitate responsible and informed borrowing and other financial decisions by students. To this end, CGS has launched the Enhancing Student Financial Education project in 2013. In this project, CGS is working with 15 U.S. graduate schools to identify effective and innovative practices to help students make more responsible and informed financial decisions, including student debt management and loan repayment. CGS has also developed a student resource website, *GradSense.org*, which among other things offers debt-to-earning data for various degree objectives and fields of study, as well as an interactive budget calculator for students.

EQUIPPING IHEs WITH NECESSARY TOOLS

On principle CGS agrees that IHEs should be given more authority and responsibility to manage student debt levels (page 9). More specifically, CGS believes that:

- The maximum allowable loan amount should not be the assumed amount that can be borrowed, and master's and doctoral students should have to affirmatively select the loan amount they borrow;
- The loan amount offered to master's and doctoral students should be based on net financial needs that also take into account forms of financial support that may not be awarded by the financial aid office (e.g., salaries and benefits from teaching and research assistantships, etc.); and
- Information that details the difference between the maximum allowable loan amount and the amount offered based on the net financial need, as well as information about interest accrual and various repayment options should be provided each time a student takes out a student loan.

CGS is also concerned that the entrance and exit student loan counseling requirements in current law do not give IHEs the necessary tools and leverage to facilitate informed borrowing decisions by students, particularly as they pertain to master's and doctoral students. According to the "dear colleague" letter from the U.S. Department of Education on "Loan Counseling Requirements and Flexibilities," dated April 6, 2015, IHEs do not have any statutory authority to compel master's and doctoral students to receive additional loan counseling. This is troubling, since unlike undergraduates, master's and doctoral students are only eligible for unsubsidized Stafford loans and GradPLUS loans, which bear higher interest rates and accrue interest while they pursue their degrees. CGS believes that master's and doctoral students should be informed of their loan terms and financial implications when they take out loans for the first time to pay for their post-baccalaureate studies.

QUESTIONS REGARDING THE "RISK-SHARING" FRAMEWORK

CGS believes that bad actors should be held accountable for irresponsible distribution of federal student loans; however, the proposed "risk-sharing" framework appears to be very broad. Considering the broad range of programs and institutions that receive Title IV funding, many of which are already committed to the objectives of this whitepaper, a one-size-fits-all approach that is exclusively aimed at undergraduate student debt may not achieve the intended outcomes. In particular, CGS is concerned that the broad language in the whitepaper may result in unintended consequences that affect the ability of master's and doctoral students, who are much less likely to default on their student loans, to receive federal student financial aid. To this end, CGS would like to have clarification on the following points in the "skin-in-the-game" framework outlined in page 7 of the whitepaper:

- Will the proposed "metric" be reported and considered by degree objectives (e.g., doctoral students, master's students, baccalaureate students, etc.) for each IHE?
- Can an IHE lose its eligibility to award federal student aid to master's and doctoral students if it does not meet the proposed metrics for undergraduate students?
- Which federal funds are included in the "other federal funds" mentioned in the Institutional Sanction part of the Liability section in page 7?