NASFAA

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

December 8, 2021

The Honorable James Kvaal
Under Secretary of Education
400 Maryland Avenue, SW, Room 7E307
Washington, DC 20202

Dear Under Secretary Kvaal,

I write today on behalf of the National Association of Student Financial Aid Administrators (NASFAA) and our 3,000 member institutions to request that the Department of Education permanently make the Annual Student Loan Acknowledgement (ASLA) available for voluntary adoption by institutions as a requirement for their borrowers, or categories of borrowers, to receive a first loan disbursement, but not to require all institutions to do so.

NASFAA represents nearly 32,000 financial aid professionals who serve 16 million students each year at colleges and universities in all sectors throughout the country. NASFAA member institutions serve nine out of every ten undergraduates in the U.S.

The Annual Student Loan Acknowledgement can be a valuable piece of supplemental information for some students and families, but also has the potential to add duplication, complexity and confusion to the financial aid process where there is already too much of both. Students are already provided with their cumulative borrowing history annually on the Student Aid Report. Adding the ASLA to existing state debt letter requirements and institutional financial literacy programs will increase the likelihood that students get different information from different sources. Further, the evidence does not support that annual debt letters on their own lead to decreased borrowing because debt letters are frequently paired with other debt reduction initiatives, making it impossible to separate out which effort led to the reduction in borrowing.

There is no denying the value of financial literacy education for postsecondary students, but many institutions already provide robust financial literacy programs that they have tailored to their student populations. In a recent poll[1] conducted by NASFAA, 60% of respondents indicated that their institution already has a process in place to notify borrowers of their cumulative loan debt, hypothetical repayment scenarios, etc. outside of federally-required exit counseling. While ASLA is unlikely to replace what institutions already do, it very well may be useful as an optional tool for many institutions that lack their own debt notification process, or as an enhancement to other financial literacy efforts.

Many states already require institutions to provide an annual debt letter. The timing of that letter may vary significantly from the ASLA, and may make different assumptions about critical factors like interest rates, which could inadvertently add to student borrower confusion. If the ASLA were optional, institutions would have more flexibility about when they require borrowers to complete it so the ASLA would complement state initiatives rather than detract from them.

Annual debt letters on their own are not associated with changes to borrowing behavior. A 2017 Brookings Institution study[2] and a 2016 study by Rajeev Darolia and the Federal Reserve Bank of Philadelphia[3] found no impact on borrowing behavior among sample groups of students who received debt letters as compared to those who did not. This likely reflects the fact that many students have no choice but to borrow. Adding another hoop for students to jump through to access the loans they need is not only frustrating, but can lead to emergencies when students are relying on those loan funds to pay for expenses like food, rent, or child care. Keeping the ASLA optional would allow institutions to take advantage of it where they see it as beneficial to their students without placing yet another burdensome barrier between students and their funds.

Finally, institutions with nontraditional calendars, summer headers, and/or those that use Borrower-Based Academic Years may have their first loan disbursements scheduled for April, when the mandatory use of the ASLA has been proposed to become effective in previous years when implementation was ultimately delayed. If the updated ASLA is to be released in April every year, which has been suggested by ED, institutions will have limited lead time to prepare and communicate the requirement prior to the first disbursement date. If the ASLA is to be required, we urge ED to engage with

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[1] Poll conducted on November 15, 2021 and distributed to approximately 200 financial aid administrators, and was not a representative sample of NASFAA member institutions.

[2] https://www.brookings.edu/wp-content/uploads/2017/12/es_20170601_akers-debt-letters.pdf

[3] https://www.philadelphiafed.org/-/media/frbp/assets/working-papers/2016/wp16-18.pdf

institutions to find an appropriate time of year to release the form to ensure minimal impacts on students.

There is little doubt that debt plays an outsized role in the financing of postsecondary education and must be addressed. While effective loan disclosures should be part of any solution meant to address student loan indebtedness, requiring a single, one-size-fits-all solution to a nuanced problem is unlikely to yield the intended outcomes. We appreciate the efforts Federal Student Aid is exerting to provide schools and borrowers with the information they need to make wise borrowing decisions, and we look forward to working with you to continue to explore those solutions in the future.

Regards,

Justin Draeger, President & CEO

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