

Chairwoman Delozier and members of the Committee, on behalf of Jim Steeley, PHEAA's President and CEO, as well as the PHEAA Board of Directors, I would like to thank you for the opportunity to speak with you today as you examine the impact of COVID-19 on Pennsylvania residents.

PHEAA was created more than 55 years ago with the primary mission of creating affordable access to higher education for Pennsylvania students and families.

Since then, we have helped generations of Pennsylvanians achieve a college education while helping to strengthen the foundation of our economy with an educated workforce.

We do this by administering a variety of student aid programs for the Commonwealth – the largest of which is the PA State Grant Program.

PHEAA covers all costs to administer this and other state-funded student aid programs, which saves taxpayers nearly \$16 million annually.

This also makes Pennsylvania's student aid programs among the most efficient in the nation, since every dollar appropriated to those programs goes directly to benefit the students who need it most.

Additionally, PHEAA has contributed more than \$1 billion from its business earnings to directly supplement student aid programs to further support Pennsylvania students, families, and taxpayers.

PHEAA also uses its earnings to support a variety of outreach and student aid awareness initiatives, much of which is focused on helping students make wise choices early in the planning process so they can avoid unnecessary loan debt.

COVID-19 & PA Student Aid

About 6 months ago, millions of Pennsylvanians awoke to a new and uncertain normal. Individuals, families, businesses, educators, healthcare providers, and government leaders all struggled to understand the risks of COVID-19 and the responses that would be needed.

At the same time, stay-at-home lock-downs restricted businesses as unemployment rates reached historic highs - literally overnight.

Beyond the stresses on our healthcare system, the economic impact was felt by just about everyone. This includes more than 130,000 PA State Grant recipients and millions of student loan borrowers throughout the nation.

On March 19, 2020, PHEAA's Board of Directors took action to quickly provide the Agency with the administrative flexibility to safeguard students from any negative consequences that may result from a school's pandemic response.

Specifically, the Board provided for the temporary modification of certain program requirements of PHEAA-administered Pennsylvania student aid programs to ensure that recipients would not experience any disruptions or reduction of funding due to operational changes that schools were implementing, including the widespread transition to online-only classes.

One example was a waiver of the PA State Grant Program's eligibility distinction between traditional in-classroom students, who currently qualify for a \$4,123 maximum award, and distance education students, who would have otherwise qualified for a \$3,092 maximum award, or 75 percent of a traditional award.

This waiver held harmless thousands of initially in-classroom recipients who would have lost their higher award amount, which had already been factored into their higher education funding plan for the year.

Something to keep in mind about this specific waiver is that Act 5 of 2018 – which integrated distance learning into the PA State Grant Program - specified that eligibility would only apply to students attending a school that is headquartered and domiciled in Pennsylvania.

This was done to limit the ability of very large, out-of-state online schools to place an outsized financial strain on limited Commonwealth funding for the PA State Grant Program.

So, to qualify for a full PA State Grant award, even with PHEAA's easing of the program rules, most of those students would need to be enrolled in a program of study that is structured to allow them to complete at least 50 percent of their credit or clock hours in the traditional classroom.

We estimate that out of the current 130,000 PA State Grant Program recipients, this may impact about 4,000 Pennsylvania students.

We are advising those students to contact their school's Financial Aid Office to determine the following:

- 1) If the school's distance education reporting is accurate
- 2) If the school has any available federal CARES Act money that could be used help compensate for a loss of PA State Grant funding
- 3) If the school offers lower tuition for students who are attending all their classes online versus taking them in the traditional classroom

At the March Board of Directors Meeting, the PHEAA Board also extended the May 1 PA State Grant application deadline by 2 weeks to May 15 to give students and families more flexibility during the pandemic.

As a result of this move, and subsequent awareness efforts on the part of PHEAA and its Board of Directors, we managed to re-engage approximately 17,000 distracted students who would have otherwise missed their opportunity for desperately needed student aid awards.

COVID-19 & Student Loan Borrowers

For millions of student loan borrowers, the CARES Act, which was signed into law on March 27, provides several provisions for financial relief that includes 0% interest and the automatic suspension of principal and interest payments on federally-held student loans, initially through September 30, which has since been extended through December 31, 2020.

For borrowers with older federal FFELP Loans that are not federally owned, a Natural Disaster Forbearance was made available which could be applied for up to 90 days.

This 90-day forbearance was also made available, at the loan holder's discretion, for private student loan borrowers.

COVID-19 & PA Forward Student Loan Program

In early May, the PHEAA Board of Directors joined with Pennsylvania Treasurer Torsella and members of the General Assembly to ask Governor Wolf for his support to allocate up to \$2.2 million for student loan relief from the funds received by the Commonwealth as part of the federal CARES Act.

This initiative, which was signed into law on May 29, 2020, aligned perfectly with the primary goal of the CARES Act - to provide relief for Pennsylvanians who face financial challenges due to COVID-19.

These bipartisan efforts quickly benefited thousands of PA Forward Student Loan borrowers.

Now in its second year, the PA Forward Student Loan Program is a suite of borrower-friendly student loans with PHEAA serving as both the lender and servicer, with a line of credit from the PA Treasury and tax-exempt allocation from the PA Department of Community and Economic Development (DCED).

As Pennsylvania's student loan program, PA Forward stands unique among non-federal loan programs as evidenced by how decisively the Commonwealth rallied to the aid of its borrowers. This included automatically pausing payments, allocating federal relief funds to underwrite 0% interest rates for all borrowers, and backdating such benefits to March 13 through September 30, 2020.

These benefits are in addition to everyday benefits, such as no application or origination fees, no pre-payment penalties, a .50% interest rate reduction as a graduation benefit for the undergraduate and graduate loans, a .25% interest rate reduction for undergraduate, graduate and parent loans upon enrollment in automatic payments and a biweekly payment option to promote positive repayment habits.

Moving Forward

Moving forward, there are several important things for students and families to be aware of as we continue to work our way through COVID-19...

Perhaps most immediate, student loan borrowers need to understand that many COVID relief measures, such as 0% interest rates and forbearances, are temporary. Some are set to expire on September 30, while others will expire on December 31. So, now is the time to prepare for the resumption of student loan payments and to adopt the mindset of a smart borrower with good repayment habits.

College-bound students and their families should continue to research and be aware of school deadlines for both admissions and financial aid, as changes could be made as schools continue to adapt to COVID-19.

If a student has experienced an event that could affect their ability to pay their tuition costs – such as a loss of income or recent death - they should communicate this information to their school's Financial Aid Office as soon as possible to see if any adjustments can be made.

Student loan debt, in general, should be avoided if possible and should be minimized when it becomes unavoidable. This means first exhausting eligibility for grants and scholarships, and then for low-cost federal Stafford Loans.

Students and families should also be aware that the Free Application for Federal Student Aid (FAFSA) will be available beginning October 1, 2020 for the 2021-22 Academic Year.

The FAFSA is the primary application for all federal student aid and is used to help determine eligibility for most forms of need-based student aid, including the PA State Grant Program, so it is very important to submit this application as early as possible to ensure that school deadlines are met.

Of course, PHEAA also continues to provide many free planning resources to the Commonwealth at no cost to taxpayers. This includes hands-on, personal guidance that is spearheaded by 13 Higher Education Access Partners who live and work in communities throughout the Commonwealth.

These professionals traditionally provide a variety of face-to-face, financial-aid related services to students, families, educators, schools, and community partners.

Now, in today's COVID-19 world, many of these events and presentations are offered virtually to ensure that students and families can receive the personalized information they need, when they need it, from the safety and security of their own homes.

As a group, our Access Partners participate in nearly 3,000 financial aid events annually. Many of these events have been held in cooperation with local legislators to help increase awareness among your constituents of various student aid opportunities, application processes, and how to borrow money responsibly. We look forward to resuming those public events, when it is safe to do so.

PHEAA also offers several online resources that can provide planning assistance 24/7. This includes MySmartBorrowing.org, which engages high school students and potential borrowers early in the planning process – before any decisions are made to borrow money - helping them to make smart choices as they develop their higher education success plan.

PHEAA also offers EducationPlanner.org, which is our one-stop career and college-planning website; YouCanDealWithIt.com, which helps graduates and soon-to-be graduates prepare for life after college with debt management and career development advice; and PHEAA.org, which provides useful information on available state and federal student aid programs, including the Pennsylvania Student Aid Guide.

Conclusion

This concludes my remarks.

I want to thank you again for the opportunity to appear here today. As always, PHEAA stands ready to work with the legislature and the Governor's Office to help develop new initiatives that can help Pennsylvania residents afford a higher education while avoiding student loan debt.

I welcome the opportunity to answer your questions.