Asset Building Policy Network

Center for American Progress

CFED

Citigroup

The Leadership Conference on Civil and Human Rights

National Association for Latino Community Asset Builders

National Coalition for Asian Pacific American Community Development

National Council of La Raza

National Urban League

PolicyLink

Eduardo Ochoa
Assistant Secretary
Office of Postsecondary Education
U.S. Department of Education
1990 K Street NW., Room 7007
Washington, DC 20006–8513

July 2, 2012

RE: Federal Register Document Number 2012-13232
Comments on Department of Education Proposed Priorities for GEAR UP: College Savings Account Research Demonstration Project

Dear Assistant Secretary Ochoa,

The Asset Building Policy Network commends the Department of Education for recognizing the connection between college savings and college attendance and for the thoughtful design of the proposed Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) College Savings Accounts Demonstration. We are grateful for this opportunity to comment on the proposed priorities for the Demonstration which is designed to increase the number of low-income students who enter and succeed in postsecondary education by providing academic and other support services from middle school through the first year in college.

ABPN is a newly-formed coalition of national civil rights, financial services, community and economic development, and consumer advocacy organizations. The members of ABPN share a common interest in
1) Coordinating savings and asset building policy and advocacy efforts;
2) Developing a shared communications agenda and strategy; and
3) Building the capacity of ABPN members and their affiliates to better promote savings and asset building. Its founding member organizations include:

Center for American Progress
Citigroup Inc.
Corporation for Enterprise Development (CFED)
The Leadership Conference on Civil and Human Rights
National Association for Latino Community Asset Builders (NALCAB)
National Coalition for Asian Pacific American Community Development (National CAPACD)
National Council of La Raza (NCLR)
National Urban League (NUL)
PolicyLink

The communities represented by ABPN currently find themselves in a period of economic and political uncertainty that most Americans have never experienced in their lifetimes. After a downturn that has lasted several years, our economy is still showing limited signs of recovery, and communities of color have been hit especially hard. There must be policies in place that ensure that these populations have the opportunity and ability to rebuild the assets that they have lost as well as build new wealth and financial security.

One of the most invaluable ways of promoting economic mobility is a college education, especially for children from low-income households. Research[1] has demonstrated that very low-income families can successfully save when they are equipped with the right tools and the right incentives, and that children from families with dedicated savings accounts for higher education have stronger aspirations of attending college and significantly higher college enrollment rates – up to seven times higher, according to one frequently cited study.[2]

The members of ABPN believe that policies to promote asset development and financial inclusion are as important today as they have ever been. We are pleased to provide the following initial comments on the Department of Education's Proposed Priorities for GEAR UP College Savings Accounts Demonstration around the second proposed priority that was featured in the Federal Register Notice.

- Proposed Priority 2: College Savings Accounts Research and Demonstration
  - Account administration procedures
  - Design of savings incentives
  - Design and delivery of financial counseling for students and parents

These comments are reflective of the ABPN as a body and not necessarily the position of each individual member.

<u>Account Administration Procedures:</u>

Social Security Numbers and Individual Taxpayer Identification Numbers
First, we applaud the Department of Education's attention to the issue of Social Security Numbers (SSNs) and taxpayer identification numbers (ITIN). ABPN recommends against requiring students and parents to provide SSNs/ITINs in order to open accounts. As noted in the Department's request for comments, many schools are not allowed to collect and/or disclose personally identifying information about their students. On the other hand, many financial institutions – and all 529 plans – require that all accountholders provide this information.

Providing College Savings Accounts (CSAs) to students without collecting SSNs or ITINs from them or their parents is possible, though it requires vision and innovation on the part of the financial institution. The primary examples of this model to date are the City of San Francisco's Kindergarten to College (K2C) program and the Partnership for College Completion (PCC), a joint initiative of CFED, the KIPP network of charter schools, and UNCF. In each of these models, Citibank has permitted accounts to be opened using only basic student information (e.g. names, addresses, and

[1] See http://csd.wustl.edu/AssetBuilding/SEED/Pages/default.aspx for a comprehensive listing of the research studies and reports from SEED.
[2] Elliott, W. and Beverly, S. (2011). The role of savings and wealth in reducing "wilt" between expectations and college attendance. Journal of Children and Poverty, 17(2), 165-185.

dates of birth). This is possible because the account custodian,[3] rather than the student, is the legal owner of the account.

Due to the difficulty of striking the right balance between the competing needs of schools to protect privacy and financial institutions to comply with the Patriot Act and Know Your Customer laws,[4] it may be helpful for the Department of Education's legal department, or with other legal entities or experts in this area, to establish the propriety of opening accounts without SSNs or ITINs.

Guidance on Eligibility for Other Federal Assistance

The Department has noted that money saved through the Demonstration will not count against students or families for the purposes of calculating federal financial aid eligibility. CFED recommends that it also require that funds held within a student's CSA be excluded from asset tests for means-tested federal programs, including Medicaid, Temporary Aid to Needy Families, Supplemental Nutrition Assistance Program and Supplemental Social Security Income.

Assuming that the trust ownership structure of these accounts applies to both student accounts and parallel match accounts (an issue not entirely clear to us in reviewing the Notice), the asset-test issue should be largely resolved in that the family would not have direct ownership of the accounts; however, in our experience, even the slightest hint of worry that savings might result in loss of benefits creates a "chilling effect" on deposit activity. Indeed, many families believe that they are not permitted to save at all. For this reason, it would be beneficial for the Department to ensure protection of federal benefits, and for program administrators to be able to communicate this to parents in no uncertain terms.

We also recommend that the Department provide account administrators with initial guidance on how to address the issue of asset tests, as relevant, at the federal, state and local levels, and specifically how to communicate with students and families.

<u>Design of Saving Incentive:</u>

Earning Savings Match

One concern that ABPN had around savings matches were the issues regarding savings caps. For example, if a family has deposited more than the $10 per month in some months and nothing at all in others, would the "catch up" period occur automatically or would their "excess" deposited be disregarded? To avoid creating any disincentive to saving, we suggest that the Department consider alternative models to allow families to maximize their match earnings even if their month-to-month ability to save is limited.

One option is a lifetime cap on savings over the course of the program. For instance, assuming a $10-per-month match over four years, students would be eligible to earn a total of $480. In a "lifetime" model, this $480 could be saved at any point or in any amount over the 4-year savings period. Alternatively, the Department could consider an annual cap on savings that grows each year based on unused match. For instance, again assuming a $10-per-month match, a student would be

---

[3] The account custodian for K2C is the San Francisco Treasurer's Office. The custodian fulfills the same role ascribed to the account trustee in the proposed GEAR UP CSA Demonstration.

[4] Neither the Patriot Act nor *Know Your Customer* require financial institutions to collect SSNs /ITINs, but many have determined that this is the best way to limit liability under those laws.

eligible for $120 in savings each year. In this model, if a student only saved $50 in year 1, her match cap in year 2 would be $190: $120 for year 2, plus the remaining unused $70 from year 1.

Design and Delivery of Financial Counseling to Students and Parents:

Language Access
Many immigrant and first generation American children live in households where one or more members of the households are not native English speakers. The Department should require that counseling, particularly for parents, be offered in languages other than English, as needed.

The Asset Building Policy Network is enormously grateful that the Department of Education has taken on this ambitious and powerful initiative, which carries with it such significant potential to positively impact the lives of young students across the country, but also to deeply inform the pioneering field of children's savings.

To that end, we recommend that the Department consider a future study designed to measure the impact of CSA interventions on college completion rates, including college completion rates within communities of color. This Demonstration will reveal the percentage of students who save but do not enroll in college within six years of high school graduation. However, it will not be able to measure the percentage of students who save for college, enroll in college, and earn a degree within six years, as compared to the students who save, enroll, but ultimately do not complete college education. This is, perhaps, the most important question for the children's savings field to explore, and one that the Department is well-suited to investigate.

We appreciate the opportunity to share input and comments with the Department of Education, and are eager to serve as a resource to the Department as the planning for this demonstration and evaluation moves forward.

Sincerely,

Asset Building Policy Network