Bill Summary - PROSPER Act

On December 1st, H.R. 4508, the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act was introduced in the U.S. House of Representatives by the chair of the House Committee on Education and the Workforce, Virginia Foxx (R-NC). The bill would reauthorize the federal Higher Education Act. The following is a summary of several provisions of the bill, highlighting changes from existing law.

Defining 'Institution of Higher Education'

Under Title I, the bill no longer separates the designation for proprietary institutions. The current law defines proprietary institutions under Section 102, while all public and private non-profit institutions are defined under Section 101. All sectors are now under a new 'Section 101.' This will allow proprietaries to qualify for federal funds and grants in instances where they were previously excluded. The new definition does however exclude proprietary institutions from being designated as Minority Serving Institutions under Titles III and V.

The definition of 'Institution of Higher Education' is further expanded to include non-degree programs that lead to a recognized credential if they can meet certain criteria. Those programs would be eligible to receive Title IV aid, and would remain eligible if they meet repayment rate requirements. This would allow certain ineligible (non-accredited) institutions or organizations to have programs that qualify for Title IV if they meet certain conditions and have a written agreement with an eligible institution (including eligible four-year, two-year, or proprietary institutions) to provide educational instruction.

Elimination of Subsidized Loans, SEOG, and Title III-A

The bill moves to simplify Title IV aid programs in the form on one grant, one loan, one repayment plan. In doing so, the bill eliminates federal Supplemental Educational Opportunity Grants (SEOG) and federally subsidized student loans. SEOG is a campus-based aid program that provides more than $700 million in federal grant assistance annually to low-income students. There is an institutional match component to these funds. Subsidized student loans prevent in-school interest from accruing for qualified low-income borrowers.

Title III-A, the Strengthening Institutions program is eliminated under the bill. Under the Strengthening Institutions program colleges and universities that serve a large portion of low-income students may apply for multi-year grant funds to help improve student success through activities such as academic support, improvement of facilities, faculty development, student counseling, and endowment building. This program is currently funded at more than $86 million.

New Graduation Rate Threshold for Title III and V Grants

For Minority Serving Institutions under Title III and V, the bill institutes a new 25 percent completion requirement to be eligible for funds. This requirement would presumably be based on graduation and transfer data that would encompass all undergraduate students, as required in Title I of the Act. However, the federal government does not currently have completion and transfer data available for all students, and only includes students who receive aid under Title IV. The 25 percent threshold would not apply to Historically Black Colleges and Universities or tribal colleges and universities. The requirement would apply to predominantly black institutions and Hispanic-Serving Institutions as well as Alaska Native and Native Hawaiian, Native American-serving nontribal, and Asian-American and Native Hawaiian or Pacific Islander institutions. The reasoning behind this application is that HBCUs and Tribal colleges are established based on historical designations and not students served.

Changes to the Federal Student Loan Program

Federal ONE Loans

The bill eliminates the issuing new Direct Loans for new borrowers. Existing student borrowers would be grandfathered in, and would still be able to choose a Direct Loan option. Federal ONE Loans would consist of a single option for each of the following categories: undergraduate; graduate; and parent borrowers. Interest rates for these loans would be calculated identically to current Direct Loans, with newly issued loans receiving a market-based interest rate. New low-income undergraduate students would no longer be eligible for subsidized loans under this proposal. Current loan origination fees would be eliminated for ONE Loans.

Capping Borrowing

Under the new ONE Loan proposal institutions are granted greater flexibility to limiting borrowing. Under the bill institutions may limit borrowing based on: projections of future earnings for specific programs of study; enrollment intensity; the credential level attempted; and the year of the program for which the student is seeking a loan. Institutions that seek to limit borrowing based on these criteria must do so in a way where it is applied uniformly to all borrowers in a subset.

Loan Limits

Yearly and aggregate caps also change under the bill. For an undergraduate student who is dependent, the current annual loan limit depending on academic year is $5,500 to $7,500. The bill raises that cap to $7,500 to $9,500. For independent students the limit goes from $9,500 to $12,000 depending on academic year to $11,500 to $14,500. The lifetime limits also increase for undergraduate students going from $31,000 to $39,000 for dependent students and from $57,500 to $60,250 for independent students.

For parent and graduate student borrowers the annual and lifetime borrowing limits under current law reflect programmatic cost of attendance. The House bill would limit annual caps to $28,500 for graduate students and $12,500 for parents. The lifetime limits would be $150,000 for graduate students and $56,250 for parents. Current borrowers would be grandfathered in without such limitations.

Aid Like a Paycheck and Reforms to Loan Repayment Plans

Changes to Student Aid Disbursement

The way institutions are instructed to disburse federal student aid is also reformed under this proposal. The bill requires multiple disbursements of aid. The first disbursement varies based on the year of the student receiving aid. First-year, first-time borrowers may not receive their first disbursement of aid until 30 days after the student begins a course of study. For all other borrowers an institution may disburse the first payment anywhere from 30 days prior to 30 days after the student begins classes. This would apply to both loans and any refundable Pell amounts. After the first disbursement, the institutions shall disburse the remaining aid in either weekly or monthly installments of an equal amount. There is some flexibility to issue a greater amount in certain installments if additional aid is necessary. Institutions with a repayment rate of greater than 60 percent would not be subject to hold back first-year students' disbursement for 30 days.

Repayment Plans

The bill would limit the current number of repayment plans available to students. Undergraduate students would select from a standard 10-year repayment plan or an Income Based Repayment (IBR) plan. If the student does not select a plan, they are automatically enrolled in 10-year standard repayment. However, students who default may be placed into IBR under the secretary's discretion. The repayment rate under the bill's IBR plan is set at 15 percent of discretionary income, with a minimum payment of $25 per month. However, in certain instances that $25 may be lowered to $5 minimum monthly payment.

Consolidated loans being repaid under the IBR plan are placed into tiers depending on the total amount borrowed. For a student who borrowed less than $7,500 the repayment period is up to 10 years. Students who borrowed between $7,500 and $10,000 have a repayment period of up to 12 years. Students who borrowed between $10,000 and $20,000 have up to a 15-year repayment period. Those who borrowed between $20,000 and $40,000 have up to a 20-year repayment period. Consolidated loans between $40,000 and $60,000 are subject to a 25-year repayment period. Students who borrowed in excess of $60,000 have a 30-year repayment period.

Loan Forgiveness Eliminated for New Borrowers

Existing borrowers would be grandfathered in under Public Service Loan Forgiveness (PSLF), Pay As You Earn (PAYE), and Revised Pay As You Earn (REPAYE). However, these options for forgiveness would not be available to new borrowers of Federal ONE Loans. The amount these borrowers would be subject to pay under the single IBR plan in the House bill would be capped however. The total amount paid over the IBR repayment period cannot exceed what the student would have owed in principal and interest had they enrolled in 10-year standard repayment.

Pell Grant Bonus and Increased Access to Title IV for Ability to Benefit and Short-Term Training Programs

Pell Grants

The bill creates a new bonus for Pell eligible students who are on track to complete 30 credits or more during a single payment period (generally the fall and spring semesters). Those students will be eligible for up to $300 in additional funds.

The refundable portion of Pell would be distributed to students in weekly or monthly increments (see aid disbursement summary for more details). The bill would also eliminate Pell Grant eligibility for students who receive a Pell Grant for at least three payment periods, but have not earned any credits.

Student Aid for Short-Term Training Programs

Access to Title IV aid is expanded in the House bill to include short-term training programs at eligible institutions. This would include all institutions under the new definition of section 101 that meet repayment rate thresholds, including noneligible institutions or organizations that have entered into written agreements with eligible institutions to provide academic instruction. The thresholds for eligible programs are lowered from 600 clock hours to 300 clock hours, or a minimum of 8 semester hours over 10 weeks.

Ability to Benefit

The proposal further reinstates Title IV eligibility for students who would qualify under ‘Ability to Benefit.’ These are students who do not have a high school diploma or equivalent, but have demonstrated their ability to benefit from postsecondary education. Access to Title IV for Ability to Benefit students was eliminated in a 2012 funding bill. It was subsequently partially reinstated for students in specified career pathway programs. The bill would further expand the pool of individuals who could qualify for Ability to Benefit by enabling those who successfully complete 6 credit hours of postsecondary coursework to qualify.

Competency-Based Education (CBE) Programs

The bill allows for certain CBE programs to be eligible for Title IV aid.

Institutional Accountability and Penalties Under Title IV

Programmatic Repayment Rates Replace Cohort Default Rates

Measurements that held institutions accountable for student loans based on cohort default rate are eliminated under the House bill. In its place, the bill institutes a programmatic repayment rate. In order to be eligible for Title IV aid, each program will have to maintain a repayment rate of 45 percent or higher. If a program fails to meet this rate for three years it will lose eligibility to receive Title IV.

A borrower is considered to be in positive repayment if 1) they have entered repayment and are less than 90 days delinquent; 2) the loan is paid in full; or 3) the loan is in deferment if it is a ONE Loan, or in deferment or forbearance if it is a Direct or FFEL loan.

The department will use a participation rate index to provide relief for institutional programs that fail the repayment rate metrics and have a small percentage of borrowers. Additionally, repayment rate is based on a cohort of 30 or more borrowers for each year. If a program has fewer than 30 borrowers, the cohort is expanded to look at the repayment rates of borrowers over three academic years. The time period for repayment would be after the end of the second fiscal year after a student entered repayment.

Institutional Risk Sharing and Return of Title IV Funds

The House bill implements risk sharing by modifying the requirements under Return of Title IV Funds (R2T4). Presently, if a student withdraws prior to completing a semester, some aid must be returned under R2T4 depending on when the withdrawal occurred. If a student completes less than 60 percent of their coursework then a proportion of aid must be returned based on when the student withdrew. If the student completes more than 60 percent,the institution may keep the aid. It is the responsibility of the student to repay the necessary portion of aid that was disbursed to them if they withdraw prior to completing 60 percent of the semester. In many instances, however, the institution ends up responsible for paying the students portion as the institution is unable to recoup the funds.

The House bill shifts the onus of repaying R2T4 funds onto the institution with the student responsible for up to 10 percent of the amount owed. It also creates new tiers of penalties. If a student withdraws between zero and 24 percent of the enrollment period then all Title IV funds are owed back to the government. 25 percent of aid may be retained if the student completes 25 to 49 percent of the enrollment period. If a student completes between 50 and 74 percent of an enrollment period before withdrawing then 50 percent of aid may be retained. 75 percent of aid may be retained if the student withdraws between 75 and 99 percent of the enrollment period. Only completing 100 percent of the enrollment period will allow full retention of Title IV aid. For institutions that are not required to take attendance the withdraw threshold for a student who did not initiate the withdrawal process is considered to be the 50 percent mark.

Accessing Federal Financial Aid and Consumer Information

FAFSA Simplification

The bill requires the department to make the FAFSA available via mobile application. It would also codify use of the IRS Data Retrieval Tool to enable students to continue to import their prior-prior year tax information in the FAFSA. The bill also increases the maximum income threshold for borrowers to qualify for filing the simplified version of the FAFSA, enabling more FAFSA filers to file via the simpler form.

Student Financial Aid Counseling

The proposal requires that institutions provide students annual information regarding the terms and conditions of their federal loans and grants, as well as details regarding repayment. This can be either in-person or online counseling. Borrowers will be required to sign an annual master promissory note prior to disbursement. The bill lays out requirements of this additional counseling and disclosure.

Early Awareness of Financial Aid Availability

The department is directed to create an online platform for secondary students and families to determine federal postsecondary aid that may be available based on basic income information.

Data and the new College Dashboard

The bill eliminates the existing college navigator website and replaces it with a new ‘college dashboard.’ The dashboard would be focused on both institutional and programmatic level data. Information would include: graduation rates; net price based on income tiers; cost of attendance; programmatic level debt and median earnings; student demographics; financial aid information and outcomes of recipients of financial aid. The bill seeks to have graduation and transfer data for all students, not just first-time, full-time. The bill does not repeal the current ban on a federal student unit record system. Hence, institutions may be asked to provide graduation and transfer information for all students to IPEDS to comply with new requirements.

Changing the Formula for Institutions Receiving Federal Work Study
The current formula for calculating funds an institution may receive to support Federal Work Study (FWS) is weighted to benefit institutions that have historically received the funding. The House bill would gradually shift that allocation to support institutions based on undergraduate student need calculated within. Under this change community colleges would likely see an increase in the funding available to support FWS. The bill also eliminates the ability of graduate students to receive assistance under FWS. The authorization for FWS is increased under the proposal.

New Apprenticeship Grant Competition

The bill repeals current programs authorization under Title II (teacher preparatory programs and Teacher Quality Partnership grants), and replaces them with a new competitive grant for expanding access to in-demand apprenticeships.

The new apprenticeship grants would be authorized at $183 million, and would be available for one to four years depending on the application. A 50% match would be required from those seeking funds, and the maximum grant would be $1.5 million. Eligible applications are limited to partnerships that includes one or more business and one or more institution of higher education. Funds would be used to expand access to industry led earn-and-learn programs that lead to high-wage, high-demand jobs. The training period cannot exceed two years, and funds can be used for equipment, books and supplies, a portion of student wages, development of programming, and certification exams.

Accreditation

The House proposal does not overhaul the current accreditation structure, but does revise the objectives accreditors are required to evaluate. Under current law there are ten statutory accreditation standards including areas such as reporting compliance. The new standards proposed in the bill would require accreditors to focus on learning and outcomes based on institutional mission. It would not set a federal bright line standard for outcomes or completion, but it would permit accrediting agencies to do so. The bill requires accreditors to evaluate institutions that may be at-risk of not meeting standards more frequently than institutions not deemed at-risk.

Changes to Rules and Regulations

Elimination of the 90-10 Rule
Under the bill, the statute that requires proprietary institutions to receive at least 10 percent of their revenue from non-federal sources is repealed. Additionally, the bill amends rules preventing institutions from hiring third-party entities to recruit students. Institutions, including proprietary institutions would be able to employ third-party recruiters, but could not issue bonuses based on the number of students recruited.

Repeal of Obama-Era Regulatory Changes
The following regulations are repealed, and the bill prohibits the Department of Education from issuing further regulations in these areas.

- Implementing a federal definition of 'credit hour'
- Instituting a college ratings system
- Enforcement of gainful employment regulations

The bill also repeals some sections of the recently revised 'borrower defense' regulations. Borrower defense and gainful employment are also being reviewed by the department as part of negotiated rulemaking.

Campus Sexual Assault

The bill allows institutions to delay an investigation or disciplinary action in deference to a criminal investigation. Institutions would no longer be penalized for incorrect reporting if it's determined the compliance attempt was in good faith. Institutions would be given the authority to determine standards of evidence to be used in disciplinary hearing regarding campus sexual assault.

Federal TRIO Programs

The bill sets an authorization level this is $50 million below current funding. It also establishes a 10 percent set aside for new applicants, and an additional 10% set aside for innovative programs. The proposal requires a 20 percent match from the institution that may be either cash or in-kind. However, there is a possibility that the match requirements can be waived.