



NACUBO Executive Summary

“Aid Like a Paycheck” in the PROSPER Act (HR 4508)

The PROSPER Act would change the way federal loans and grants are disbursed. Under the bill:

- Disbursements would be made in equal monthly or weekly installments over the period of enrollment for which the loan was made.
- An exception would permit the institution to adjust for unequal costs (including upfront costs such as tuition and fees). Additional aid would be disbursed throughout the term, providing smaller credit balance refunds to the student much like a paycheck.
- The first disbursement could not be made more than 30 days prior to the beginning of the period of enrollment, and not later than 30 days after the beginning of the period of enrollment.

The “aid like a paycheck” concept has been piloted at several institutions. [MDRC](#), a higher education policy organization, has been studying its impact at two community colleges. Their findings show biweekly disbursements reduced students’ use of federal loans and debt to the college after one semester, without reducing the overall aid they received. Supporters of this proposal argue that it would help students better budget their funds.

NACUBO Concerns

The PROSPER Act eliminates subsidized loans and it is unclear when interest on unsubsidized loans would be charged. Would the interest begin to accrue for the full loan disbursement when the first installment is made? If so, it seems both legally untenable and counter to the goal of fiscal well-being to charge students interest on funds which they cannot access.

Not all aid comes from Title IV. There is no indication how this proposal would interplay with other aid processed by institutions and provided to students through credit balance refunds. Refunds include institutional and state aid amounts as well as other scholarships or payments made on the student’s behalf.

This added complexity would increase institutional compliance burdens and could make it harder, not easier, for students to budget their funds. Processing multiple disbursements would add to the workload of business office staff and could increase costs. Will schools have to calculate how much aid should be disbursed at the beginning of the term on a case-by-case basis, taking into account each student’s individual needs? Further, while colleges and universities can mandate direct deposit for employee paychecks to help mitigate administrative costs, such a mandate is not permissible for Title IV funds. Unless this is modified, processing additional manual disbursements will drive up the cost of operations.

There is no flexibility for emergency access to aid. While the proposal allows for a larger initial disbursement, what about cases where students need their funds? Recent research has shown that emergency aid can be a critical tool in helping with completion goals. If a student needs funds—and has funds owed to them—will they be able to access their funds if they are faced with extenuating circumstances?

NACUBO believes this proposal should not be mandated. Rather, it should be provided as an option for schools and students to use at their discretion. “Aid like a paycheck” may be a useful tool for some students.