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NACUBO Executive Summary

Risk Sharing in the PROSPER Act (HR 4508) and Senate Proposals to Reauthorize the Higher Education Act (HEA)

PROSPER Act

The Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act, introduced by House Education and the Workforce Committee Chairwoman Virginia Foxx (R-VA) and passed by the committee on a party-line vote in December 2017, proposes a number of new accountability and "risk sharing" measures. **The PROSPER Act proposes that in order for colleges and universities to "share in the risk of non-completion," institutions should bear most of the responsibility for repaying unearned aid when a student withdraws from an institution.**

The PROSPER Act would also replace metrics based on institutional-level cohort default rates with repayment rates at the program-level within institutions. Individual programs could lose eligibility for aid based on the ability of their graduates repay their student loans. The metric would be tied to individuals who are 90 days or more late on repayment as opposed to those actually in default.

Alexander White Paper

While the Senate Health, Education, Labor and Pensions (HELP) Committee has not yet released a comprehensive legislative text for HEA reauthorization, Sen. Lamar Alexander (R-TN) has issued an HEA accountability whitepaper in his role as chair. **The whitepaper proposes eliminating the cohort default rate system that has been used for over twenty years and moving to a loan repayment rate system that ties an institution's eligibility for Title IV funds to the percentage of students who fail to pay down at least $1 of their principal loan balance within three years.**

Like the PROSPER Act, the whitepaper proposes creating a separately calculated loan repayment rate for each program offered by an institution. A program with a loan repayment rate of less than 45 percent for three years would lose Title IV eligibility. The whitepaper also suggests creating a new cohort repayment rate whereby the federal government would calculate the percentage of federal student loan dollars that have been repaid by borrowers five years after they leave school. Then, "if any college had a cohort repayment rate below 20 percent, the college would be required to pay part of the difference to the federal government."

Senate Democratic Caucus HEA Reauthorization Principles

Shortly after the release of Sen. Alexander's whitepaper, the Senate Democratic Caucus issued a set of principles that should guide the HEA reauthorization process. The principles as outlined are: addressing affordability and student debt, increasing institutional accountability and transparency, increasing access and success, and protecting student safety and rights. While the document emphasizes increasing institutional accountability, it does not spell out specific proposals to do so. Instead, it states that **"colleges with low student loan repayment rates and high default rates should be held accountable for their use of federal student loan dollars, and colleges with poor access, persistence, or completion rates should be accountable for their use of grant aid."**

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NACUBO Concerns

NACUBO's believes that attempts to tie more institutional accountability to students' eventual financial success should seek to do so without making it costlier for institutions to provide education, and should not create a disincentive for institutions to expand access to high-risk student populations.

We are concerned specifically that the proposals:

- Discourage schools from increasing access to higher risk students (who often tend to be lower income/first generation students).
- Put open-access institutions at a disadvantage even though these schools—primarily community colleges—are often the key to making higher education more affordable for many students.
- Encourage schools to lower standards and/or program requirements to make it easier for students to stay enrolled, which lowers program quality overall.
- Penalize institutions in cases where students drop out for personal reasons unrelated to the quality of education offered.
- Incentivize schools to encourage students to game the system, i.e., if an institution has students in a program who haven't borrowed, the school would benefit from offering these students an incentive to take out small loans and repay them immediately to bring up the program's overall repayment rate.
- Encourage schools to prioritize certain academic programs to the detriment of others, which will eventually lead to a decrease in available fields of study.
- Do not take into account borrower entitlements, such as deferment and forbearance, that delay repayment for students' benefit. A community college's repayment rate should not be adversely impacted because a former student's repayment has been deferred while they continue their studies at a senior institution. Similarly, four-year colleges and universities should not have their repayment rates adversely impacted every time one of their former undergraduates receives a deferment while pursuing an advanced degree.