



NACUBO Executive Summary

Higher Education Act Reauthorization

Last comprehensively reauthorized in 2008, the Higher Education Act of 1965 (HEA) authorizes federal student aid programs, provides institutional aid and support, and includes general provisions pertaining to higher education on antidiscrimination, program integrity, and much more. Title IV of the HEA authorizes the most familiar programs that provide aid to students (e.g. Pell Grants, student loans, Work-Study).

In the House of Representatives

On December 12, 2017, the House Committee on Education and the Workforce [approved H.R. 4508](#), the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act to reauthorize the HEA. The 542-page bill was first released less than two weeks earlier. Committee chair Virginia Foxx (R-NC) had originally promised to take the bill to the floor in January, but a full House vote has yet to be scheduled.

Key provisions of the PROSPER Act include replacing the Federal Direct Loan program with a Federal ONE Loan program, repealing the Federal Supplemental Education Opportunity Grant, and changing the funding formula for the Federal Work-Study program. NACUBO encourages business officers to pay close attention to new proposals that call for:

- disbursing aid "like a paycheck";
- revising the schedule for return of Title IV funds;
- replacing the cohort default rate measure with a loan repayment rate measure; and
- changing the financial responsibility standards for private institutions.

In the Senate

Sen. Lamar Alexander (R-TN), chairman of the Senate Health, Education, Labor, and Pensions (HELP) Committee, issued a [white paper](#) on February 1, 2018, examining federal accountability measures for higher education. The Senate Democratic Caucus released its "Higher Education Act Reauthorization Principles" shortly thereafter. While the Democrat's [paper](#) does not go into specific details, it states, "The HEA reauthorization must include increased accountability standards for universities and postsecondary education programs that close loopholes in the law, correct market failures, stop predatory behavior, and hold all schools accountable for how they are performing and serving all students when they receive significant taxpayer subsidies."

Together with his Democratic counterpart, Sen. Patty Murray (D-WA), Sen. Alexander also encouraged additional feedback on other proposals and new ideas for the HEA reauthorization.

NACUBO Response

NACUBO submitted a [comment letter](#) focused on proposals to disburse aid like a paycheck, a new schedule for return of Title IV funds, risk sharing, and reiterated seven principles that a broader group of higher education associations [submitted jointly](#) to the committee. The seven principles presented by the American Council on Education are:

- Do no harm. Reauthorization of the HEA should be used to clearly and unambiguously improve student aid for students.

- The HEA should continue to promote access to postsecondary education and encourage completion.
- Terms, conditions, and loan limits for federal student loans matter.
- Institutions should be responsible for defining their mission and the nature of their academic programs.
- The bill should make efforts to reduce fraud and abuse where it exists, and should not take steps that will increase the likelihood of fraud or abuse.
- The federal government should encourage experimentation and expansion of new learning opportunities to promote quality and efficiency.
- Streamline regulations and reduce regulatory burden in a manner that allows institutions to meet their obligations to students and taxpayers without imposing unnecessary cost or the diversion of resources.

NACUBO Concerns

Once draft legislation becomes available, there will likely be many additional issues to explore and respond to, for example, changes to the handling of campus sexual assault, teacher preparation programs, accreditation and more. At this time, NACUBO encourages its members to consider these issues:

On disbursing aid "like a paycheck":

- The PROSPER Act eliminates subsidized loans. It is unclear when interest on unsubsidized loans would start accruing, raising the question of whether students will be charged interest before they have access to funds.
- 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.

On changing the formula for return of Title IV funds when students withdraw:

- The proposal will leave students with more debt. Returned aid funds would be applied first against grants rather than paying down loans—current rules repay loans first.
- Schools will be required to return funds they do not have and are restricted in their ability to recover from the student. Amounts to be returned to ED by the school are based on total aid (rather than the amount retained by the school to cover institutional costs) and do not consider the amount of aid paid to the student for non-institutional costs.

On replacing the cohort default rate with a loan repayment rate:

- The proposal may discourage schools from admitting higher risk students (who often tend to be lower income/first generation students) which will be taking a step backward in terms of access.
- Open-access institutions will be put at a disadvantage even though these schools—primarily community colleges—are often the key to making higher education more affordable for many students.