Will the Higher Ed Act PROSPER in 2018?
A decade after its last reauthorization, HEA moves forward with provisions that could dramatically increase accountability for community colleges.

By Jee Hang Lee

RECENTLY, THE HOUSE COMMITTEE on Education and the Workforce passed out of committee a Higher Education Act reauthorization bill, the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act. HEA reauthorization has been pending for several years, with the last reauthorization occurring in 2008.

The PROSPER Act would overhaul the federal student loan and institutional aid programs, as well as eliminating several regulations focused on for-profit colleges. The PROSPER Act also would dramatically increase accountability for community colleges, including financial penalties and the creation of completion and transfer thresholds for grants assisting minority serving institutions.

For the past several years, several bills introduced in Congress have been aimed at creating financial penalties for colleges based upon their students’ performance in repaying their loans. The PROSPER Act, however, eschews legislative proposals on risk-sharing schemes focused on student loans, instead opting to modify existing requirements under Return of Title IV Funds (R2T4).

Currently, any student who withdraws prior to completing a semester or quarter must return a portion of Title IV aid (including both Pell Grants and loans) received under R2T4. The percentage to be returned under R2T4 is dependent upon when the withdrawal occurred. If a student completes less than 60 percent of his or her 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 if he or she withdraws prior to completing 60 percent of the semester. In many instances, however, the institution ends up responsible for paying the student’s portion if it is unable to recoup the funds.

The PROSPER Act shifts the burden 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.

While this model will simplify the calculation of R2T4 for our colleges, based upon initial results from a sampling of community colleges, it appears institutions will have a substantially larger financial penalty under the new R2T4 proposal. And unlike prior risk sharing proposals, this penalty would be aimed at both federal loans and Pell Grant awards.

While overhauling the current federal loan system, the PROSPER Act no longer uses institutional cohort default rates to determine participation for federal aid. Instead, the bill requires the creation of programmatic repayment rates. Rather than focusing on the percentage of defaults on federal student loans, the new repayment rate metric would examine the percentage of students in positive repayment. All programs offered by a college would have a separate repayment rate. If a program fails to maintain a 45 percent or higher repayment rate for three years, the program would lose eligibility. Provisions in the bill do exempt programs that have very few borrowers, however.

The PROSPER Act would overhaul the federal student loan and institutional aid programs, as well as eliminating several regulations focused on for-profit colleges. The PROSPER Act also would dramatically increase accountability for community colleges, including financial penalties and the institution of graduation requirements for grants assisting minority serving institutions.

The PROSPER Act also makes changes to the current accreditation system to provide greater focus on student learning and outcomes. The bill does not create a bright line federal completion rate requirement, but it does give individual accrediting agencies the ability to create outcome and learning standards based on institutional mission. Additionally, it would allow for differentiated review, meaning that institutions that are at greater risk of not meeting standards of accreditation would be subject to more rigorous or frequent reviews.

Lastly, the PROSPER Act would create an undergraduate completion and transfer threshold of 25 percent for colleges to receive grants supporting minority serving institution programs. This includes grants supporting Hispanic Serving Institutions, Predominantly Black Institutions, and Asian-American and Native American Pacific Islander Serving Institutions. This provision does not apply to institutional grants supporting Historically Black Colleges and Universities or tribal colleges.

As the full House considers the PROSPER Act and the Senate begins consideration of HEA, we need the voices of trustees, presidents, administrators, and students on these critical issues. Please visit www.acct.org/fact-sheets-and-summaries for more information about the PROSPER Act. Make your voice heard by visiting with your member of Congress and talking about these key issues. To keep updated on key legislative times, sign-up for Legislative Action in Washington alerts at publicpolicy@acct.org

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