



NASFAA ISSUE BRIEF

THE PROSPER ACT

JANUARY 2018

KEY TAKEAWAYS

1. THE PROSPER ACT INCLUDES SEVERAL NOTEWORTHY CHANGES TO THE FEDERAL STUDENT AID PROGRAMS THAT DESERVE THE SUPPORT OF THE HIGHER EDUCATION COMMUNITY, OTHERS THAT RAISE QUESTIONS, AND OTHERS THAT SHOULD BE ABANDONED ALTOGETHER.
2. THE PROSPER ACT INCLUDES A NUMBER OF PROGRAM ELIMINATIONS AS PART OF A GOAL TO STREAMLINE THE FEDERAL STUDENT AID PROGRAMS. NASFAA FIRMLY BELIEVES ALL SAVINGS GENERATED FROM PROGRAM ELIMINATIONS MUST BE REINVESTED INTO OTHER STUDENT AID PROGRAMS.

In December, Republicans on the House Committee on Education and the Workforce introduced the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act, the first real step from this Congress in reauthorizing the Higher Education Act (HEA) of 1965, as amended.

CONCEPTS SUPPORTED BY NASFAA IN THE PROSPER ACT

ACCESS

Pell Grant Bonus: The carrot-over-stick approach of a “bonus” encourages students to enroll in additional coursework if capable, but does not punish students who may be unable to take a 15-credit or more course load in a semester.

Increase to Undergraduate Loan Limits: Federal student loans have become more of an access vehicle to higher education than ever before. Increasingly, students rely on federal student loans to afford their education.

Ability to Benefit: Forcing students to first get a GED and then enroll in a postsecondary degree or certificate program prolongs their time to credential completion and in many cases impacts their ability to obtain well-paying jobs and support their families.

SIMPLIFICATION

Elimination of Origination Fees: Origination fees act as a tax on students collected by withholding a portion of the loan proceeds, but requiring repayment of the full loan amount before deduction of fees, plus interest.

Streamlined Repayment Options: The federal student loan program provides numerous protections for struggling borrowers, including the ability to repay student loans based on income, but the process is cumbersome and complex for too many borrowers.

FLEXIBILITY

Institutional Authority to Limit Loans: Though institutions are held accountable for the repayment behavior of their students, today, schools have little ability to prevent students from over-borrowing.

Relaxation of Certain Federal Work-Study (FWS) Requirements: With institutions located in a variety of geographic regions and locales, rigid, one-size-fits-all requirements for FWS positions can prevent some schools from awarding all of the program dollars available.

AREAS OF CONCERN IN THE PROSPER ACT

OVERALL LOSS OF STUDENT AID DOLLARS

Program Elimination: The PROSPER Act would eliminate a number of federal student aid programs in favor of simplification; however, there is no significant attempt to backfill the loss in aid elsewhere, which would leave students worse off. The PROSPER Act would eliminate:

- Federal Supplemental Educational Opportunity Grants (FSEOG)
- Federal Direct subsidized loans for undergraduates
- Federal PLUS loans for graduate students
- Public Service Loan Forgiveness (PSLF) and other occupation-based forgiveness programs
- Time-based loan forgiveness in the income-driven repayment plans
- Teacher Education Assistance for College and Higher Education (TEACH) Grants
- Graduate student eligibility for Federal Work-Study (FWS)

Pell Grant Leveling: The PROSPER Act does not include an increase to the Pell Grant maximum award and does not return the annual inflation-based increases to the maximum award.

POTENTIAL UNINTENDED CONSEQUENCES

Modification of the Return of Title IV Funds Process: The PROSPER Act would modify the return of funds process in a way that may discourage schools from taking chances on populations of students who may be more at risk of stopping out before the completion of their program.

Rapid Allocation Changes in Work-Study: The PROSPER Act would dramatically increase the authorized funding level for FWS and rapidly increase the institutional match in a revised allocation formula. On the latter, institutions with a high level of need and FWS interest may not be able to shuffle resources that rapidly to fully support their FWS program.

INCREASED COMPLEXITY

Mandated Weekly or Monthly Disbursements: The PROSPER Act would mandate that aid be disbursed on a weekly or monthly basis — an idea known as “aid like a paycheck.” NASFAA believes weekly or monthly disbursements should be an option for schools, not a mandate.

Mandated Annual Counseling: The PROSPER Act would mandate annual counseling for all Pell Grant and federal loan recipients as a condition of receiving aid. Instead of requiring annual counseling, NASFAA supports providing the authority for institutions to mandate additional loan counseling at the institution’s discretion.

ADDITIONAL OPPORTUNITIES

While the PROSPER Act addresses a number of concepts for HEA reauthorization, some topics could use additional attention:

FAFSA Simplification: Institute a three-level application process where, after answering demographic and dependency status questions, applicants would be steered down one of three paths based on responses to screening questions.

Student Unit Record: Repeal the ban on the federal-level student unit record and work to develop a limited student unit record that collects more accurate and comprehensive data on student behavior. 🌐



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