# NASFAA Off The Cuff – Special Episode on the PROSPER Act Transcript

Justin: Hey everybody, welcome to a special edition of "Off The Cuff." My name is Justin Draeger.

Karen: I'm Karen McCarthy.

Megan: And Megan Coval.

Justin: Okay, Stephen will be joining us a little bit late, he's coming from a meeting on the hill, so he'll be here. This is a special edition because we are going to be doing followup questions on the PROSPER Act, which was the HEA reauthorization bill that passed out of the House Education and Workforce Committee. A good precursor to this episode, which Allie will put in the links, is that we did a webinar on this, I don't know, when was that, was that before?

Karen: It was mid-December, before the holidays.

Justin: Oh, okay, so it was before break.

Karen: Yes.

Megan: Yes.

Justin: And, we did this webinar and there were lots of questions, we couldn't get to all the questions so we said we'd do a followup through the podcast. If you want the summary of the bill, sort of the base, you should go listen to the webinar, it's free to all NASFAA members. You just register, it's on demand, and then you can come back and listen to these questions. This will not be getting into all of the base parts of the bill, this is really trying to get at specific questions. So, we pulled together all these questions. Megan, I think you took the first run through all of these and tried to divide them into buckets for us.

Megan: Yeah.

Justin: Some themes that seem to come out of all of this, a lot of why, like why would Congress do this? Is that fair?

Megan: Yes.

Karen: Yes.

Justin: So, it's hard to get at all of that, but I think if you look at the overall themes of the bill, I mean, they're trying to get at things like simplification, "one grant, one loan, one work-study." They do program elimination, and they have some consolidation of repayment plans. And then they're focusing, and I think maybe this is where a lot of the questions came, why would Congress do X? It really tends to fall into one of those themes, or maybe sort of a break off of those themes. Congress is trying to effectuate positive results in more completion, lower indebtedness. They're getting at things with loan forgiveness, which gets at accountability for students and schools, and in this bill you see reflected maybe a lot of the overall feelings that folks have about higher education in general. So, it's hard to, I don't want to be on the spot speaking for Dr. Virginia Foxx beyond what she's said publicly, or any members of the committee, but I tend to think of those broad themes as, again, simplification, program elimination and consolidation, and some of the changes they're trying to effectuate really comes down to like accountability.

Megan: Yeah, I was just going to say one thing about just the general feelings toward higher education. I think this is something we're seeing both on the left and the right, and I think a lot of it, I think, is coming from members of Congress are just hearing more and more from their constituents that college is unaffordable, it's unattainable, and at the same time this committee put out a bill that is really signaling that they feel like they're not seeing results. So they hear that schools are charging all this money, they hear their constituents can't afford it, but at the same time they don't feel like they're at good graduation rates, they don't feel like schools are doing a lot for the money that's coming toward them, and I think a lot of that theme is really peppered throughout many other proposals.

Justin: So, when you say the left and the right, let me ask you a question about that because it seems to me that college has been looped into this category of like elite. I mean, somebody said, I can't remember if it was the president, it might have been the president, who basically said during the campaign that students and parents pay a bunch of money, go into a lot of debt, to go to college where their kids are taught to hate America.

Megan: Yeah.

Justin: That was the President, right?

Megan: Yeah.

Justin: And that sort of exemplifies the thought that like these are elite institutions that just turn out.

Megan: Liberal bastions, yeah.

Justin: So that narrative is clear to me, at least. I mean, not that I agree with it but it's clear to me what the narrative is there. On the left, what are you seeing there? You're getting at the accountability side.

Megan: Yeah, and I think there's some of the accountability on the right, as well. But I think on the left it's more about the cost, affordability, accountability. I think there's a general feeling of distrust towards schools, that they'll do the right thing for students, which is a lot of what we're experiencing through things like gainful employment and borrower defense. So, I think there is an overall kind of negative feeling and I think it's targeted a little bit differently based on where you sit.

Justin: Right. So, sticking with the accountability side for just a moment, one of the more intriguing proposals was how schools would do R2T4, and I put this under two main themes. One is simplification – so I do think they tried to simplify R2T4, which would be welcome by schools. And then, the other part is the accountability metric. So, the simplification piece is, basically this, it would no longer require schools to take attendance unless it's mandated by their state certifying agency, or licensing board, or whatnot. So, and instead of trying to track the exact date that a student withdrew, you could basically figure out, if you divided the payment term into quartiles, which quartile they withdrew in. And if you don't know and there's no record of when they withdrew, schools can choose the midpoint.

Megan: Yes.

Karen: Like they can now.

Justin: Yeah.

Karen: Right.

Justin: So, unless required, again, by your state agency or a licensing board, you don't have to do attendance tracking, or you wouldn't have to do attendance tracking under this proposal.

Karen: Well, you wouldn't be considered, I know, this is my job to correct all…

Justin: Yeah, this is why we brought you.

Karen: This is why I'm here. You wouldn't be considered a school that's required to take attendance for purposes of R2T4 at any point unless you are required to do it. So, if you voluntarily do it now, you are

considered to be a school that's required to take attendance, so that would go away. Unless you're really required, you would not be considered a school required.

Justin: And so, in this proposal, because you're dividing it into quartiles, and then the amount of aid you have to return is based on which quartile the student withdrew under this proposal.

Karen: Well, the amount of aid that the student earns is based on the quartile.

Justin: Right, but the funds no longer are returned by the student, they're returned by the school, or at least required to be returned by the school. That gets the risk-sharing piece and accountability piece for the school. So, it's not the … the student has earned money in this proposal but the funds all come back from the school.

Karen: Right. The student doesn't have responsibility under any scenario here to return any funds, which is different from how it works now.

Megan: Although you probably should mention, too, thought, that schools can go back on their own and charge the student up to 10 percent. They're allowed to do that.

Karen: Right.

Megan: Yeah.

Megan: But only 10 percent.

Megan: But only 10 percent, and that's if they choose to do that.

Karen: Right.

Justin: One of the other big changes is figuring out which quartile, then, they withdrew in would determine the amount of aid that has to go back. So, if they withdrew in their first quartile under this proposal … so you divide up that payment period, if they withdraw before 25 percent of the payment period is complete, in that scenario the school has to return all the money.

Karen: Well, the student hasn't earned any money.

Megan: Hasn't earned any.

Karen: Yes.

Justin: So, all the money has to go back?

Karen: Well, if the student got all the money.

Justin: Right, any funds that have been dispersed.

Karen: Right, right, right.

Justin: Okay, so, the school is returning all the money that's been dispersed.

Karen: Yes.

Justin: Because the student hasn't earned it.

Karen: Right.

Justin: If they withdraw after, in the their second quartile, then they have to return, the student has earned.

Karen: 25 percent.

Justin: 25 percent.

Karen: Yeah.

Justin: Third quartile is 50 percent, and if they do it in their final quartile, they've earned 75 percent. So, the two big changes here, as I see them, are one, up front, until they get past that 25 percent mark, the student has not earned any funds.

Karen: Yes.

Justin: That's very different from how it is today.

Karen: Right, yeah. You attend one day, you've earned something, because it's always, because it's a day-by-day calculation right now.

Justin: And, the other big changes on the back end, then, at no point, if a student withdraws, have they earned all of their aid, whereas today, once you get to around two-thirds, you've earned all of your aid.

Karen: Yes.

Justin: 66 percent.

Karen: 60 percent.

Justin: 60 percent. That's very different than what's in this proposal, and the idea, going back to the accountability metric, the concept here. If you're asking why, the belief is that if schools have to return all of the funds that have been dispersed in that first 25 percent, and so on and so forth, that they will be incentivized to help students complete and stay enrolled.

Karen: Yeah. And I think we've had a lot of questions, both from schools — and I've had a lot of questions from other associations that have pointed out how much more punitive that is for institutions, and so people have actually thought that they're not understanding it right. 'Explain this to me, because this seems really bad' if you're thinking of it only as an R2T4 proposal. And so, I've had to explain, well, when you think of it as more of a risk-sharing proposal, and that's how schools are supposed to be incentivized to hold on their students and retain them, then people say, 'Oh, okay, now I get like what they're trying to get at with it, even given now punitive it is.'

Justin: NASFAA did a, not a representative sample, but a data run when then proposal first came out to look at what the distribution of withdrawals are at different types of institutions. The part that sort of gums this all up is if you have a regular semester — so we'll just take a standard semester — that's four months, 16 weeks, approximately, we'll just, for simplicity's sake. So, 25 percent puts you at four weeks. The thing that gums this up is from the start date, what is the add/drop period where schools will allow somebody to drop even if there's been a disbursement and have no charges?

Karen: I think that, well, that varies.

Megan: Yeah.

Karen: I think that institutions will be evaluating, if this were to come to pass, evaluating where they do that based on the impact of all of this.

Justin: So, when we did our initial data run which, again, was not a representative sample, I was surprised by what I thought were a high percentage of students that were withdrawing later than the 25th percentile. I kind of had the impression…

Karen: I was too, yeah.

Justin: Yeah, I had the impression that most people would start, something would happen, and they would withdraw. But, I think what schools were doing were excluding all of the students that withdrew before the add/drop.

Megan: In that window.

Justin: Yeah, in that window. They were charged, they had a disbursement, maybe, but then they dropped before that window and the school's wiping away everything. So, this is what's gumming up, yeah, some of the data analysis. Go ahead, Karen.

Karen: Yeah, I think, Justin can see, I'm like thinking, yeah. Yeah, because what do you mean that the schools are excluding?

Justin: So, when we did our data runs, I'm not sure that they stuck in…

Karen: That they were reporting to us? Okay, because those would still be R2T4's because even if the institution refunded 100 percent of the money, the way the current formula works is they still earned something so you're still doing that calculation, so the student's still entitled to something. So, I just wanted to make sure that you weren't implying that they weren't doing the R2T4 because they were refunding 100 percent.

Justin: No, I'm wondering whether our data contained those students because there was almost nobody, I mean, it wasn't nonexistent, but it just was a very small percentage of students that withdrew in the first 25 percent.

Megan: And it was also interesting because, and I'm really pulling this out of my head right now, but I think it's right, is I think it was, in the first quartile, from the sector where the most students withdrew was four-year not-for-profit. And, the sector where the majority was community college, community college students withdrawing was the third quartile.

Karen: It was later, it was later.

Megan: Yeah, and I would have thought…

Justin: Flipped those.

Megan: Yeah, the opposite of that.

Justin: So, I know that some other groups are doing data runs right now.

Megan: Yeah.

Justin: The American Association of Community Colleges is doing a more comprehensive data run so we'll take a look at their data. But, again, the philosophy here is this is the skin in the game. The other big accountability metric change in this bill which we had questions on gets to doing away with the default rate, and moving to a repayment rate. And that repayment rate is based on program, so you could lose Title IV eligibility for programs under this bill, which is very different from institution eligibility because of a default rate. So, when I'm looking at accountability, those are the two big things. Were there any other questions in there that we need to answer, or…?

Megan: No, but one thing I thought about, and I know some other people have as well, we just don't know what it will look like, but I think it's a good question to ask — this new R2T4 proposal, how will it interplay with the proposal that requires weekly or monthly disbursements? Right? And, I think that's sort of a, that question is good from a broader sense, too, because I don't always know that when these big bills come together that…

Karen: They're considering that?

Megan: That they're necessarily thinking how those things would play together. Okay, right, so it's sort of like they often come from individual proposals, and so as we go through and as we do analysis, I think part of the thing that we do is try to figure out how these things act together as well.

Justin: Yeah, because if you used to disburse in one or two disbursements in the fall, now you're talking about a monthly disbursement, so at least four.

Megan: Yeah.

Karen: Yeah. So, especially when you're talking about…

Megan: If the student isn't earning that much aid up front.

Justin: They're also not receiving all the aid up front.

Megan: Yeah.

Karen: Right. So, there theoretically could be less for the institution to return. Except for the fact that the “aid like a paycheck” we refer to it as, does have the allowance to do the…

Megan: Unequal.

Karen: Unequal disbursements, kind of front load, to cover tuition and things like that. So, depending on what schools do with that, I mean yeah, it remains to be seen how those will all interact.

Justin: Alright. Stephen, welcome, thanks for joining us. I know you were a little delayed on the Hill. Good meeting?

Stephen: Yeah, good meetings, talking about a lot of different issues right now, a lot going on.

Justin: Okay. So, let’s move on away from R2T4. Let’s go back to Pell. We’ve got a lot of questions on the Pell Grant program, and one of the questions had to do with how does all of this interact with year-round Pell and would we still have it under PROSPER? Megan, do you want to tackle that?

Megan: Yeah. So, there were a lot of questions about whether the PROSPER Act included year round Pell, and the answer is yes. The PROSPER Act basically assumes year Pell. Year-round Pell was passed into law as part of the budget bill last May, and so that still stands. And so, year-round Pell will be there.

Justin: And the bonus Pell. So, as a reminder, students who enroll, up to 15, if they get 15 credit hours they get a little increase of $300 into their Pell under this proposal.

Megan: Yeah.

Justin: Does that count towards their LEU?

Megan: It does count toward their LEU, yes.

Justin: Okay. And then, the next question is if they then dip below the 15, does that money have to be returned?

Megan: So, this is something that we had a question on based on how the language was written, and we asked the committee this and they said that their intention was not to have the student have to return those funds. So, we think that could be a little more clear, and we’ve asked for that, and hopefully that could be taken care of down the road, like in a manager’s amendment, but the intention, we were pleased to see, is not to take it away.

Justin: Okay. The other question here is because there's a limitation in the proposal that would limit Pell, basically you couldn't get Pell if you didn't earn any credits within, what is it, three terms? So, does that replace SAP?

Megan: No, it does not replace SAP.

Justin: So, SAP still exists.

Megan: SAP still exists.

Justin: They still have to be making academic progress.

Megan: Yes.

Justin: You still have to put together plans for them, that still exists.

Megan: Yes. And, you know, there was another question related to that, but I don't know if I saw it from the follow-up in the webinar or elsewhere, but I think people are wondering could you ever get Pell back? So, is it, you know, you don't earn a credit for three semesters then you can't get Pell for two years, but then you can get it back, and I think we don't know the answer to that yet.

Justin: Didn't seem clearly addressed in the bill language.

Megan: No.

Karen: No, it wasn't, yeah, not addressed really at all, yeah.

Megan: Yeah.

Justin: All right, let's move on to self-help aid for just a second. Let me go to work-study. One of the questions that we got, this was asked in a couple different ways, but is it true that PROSPER would eliminate federal work-study for grad students? Stephen, do you want to tackle that?

Stephen: Yeah. So, the PROSPER Act would eliminate eligibility for graduate students for Federal Work-Study, and that sort of fits sort of, you know, we also received a lot of 'why' questions there, too, what was the point of this? And there's a few different elements, I think, there. But, generally, I think there is strong interest from House Republicans ensuring that aid is available for students, for undergraduate students, to complete their program in a timely manner, and from there, there are ample opportunities for the private market to support graduate students, and some folks even think to support parents in

other places in our federal aid system, but that was sort of some of the motivation behind that elimination. There's a variety of reasons, too, we can touch on as well.

Justin: We talked a little bit before you came in just about this overall tenor of like elitism with college and maybe some of the, just a running narrative of a thread here about what students are doing and what they're getting taught and how they're coming out. That seems to be almost doubly applicable to graduate students because graduate students really don't make out well in this bill, and they haven't for some time. The other question with work-study is what about the influx of funding? So, can you talk a little bit about what are the plans there?

Stephen: Yeah. So, this is really interesting, and it gets, you start having some Washington jargon when you start talking about how the bill would essentially redirect the funds from the elimination of SEOG into some other place. And so, the way the committee handled the elimination of SEOG and the funds that are appropriated there was to redirect them to Federal Work-Study. So, there is a much higher authorization level for Federal Work-Study and if Congress chose to fund it at that level it would be almost double what work-study is funded at today. However, that's just an authorization level. And so, it doesn't necessarily mean that Congress would, if this bill would go through, fund work-study at that level. It would mean appropriators are authorized by the Education Committee to appropriate that much money to work-study. And so, that's where it gets a little bit wonky, because the way the HEA currently, as amended stands, work-study is authorized at such sums, which means the appropriators could authorize, or could appropriate any amount of funding that they see fit. And so, what was tricky for the House Republicans was to show where the elimination of SEOG would play into the other aid programs, and so they did that by showing this high, new high level authorization amount that perfectly illustrates look, we eliminated the SEOG, but we put it into this very bipartisan, popular work-study program.

Justin: Yeah, and when we actually get the manager's language that comes out of, once this is passed out of committee, before it goes to the floor, we expect language sort of explaining a lot of what they've tried to do. You would expect that they would say their intent here was that SEOG would go into work-study — that's what we're expecting. But then, the funders have to do whatever they do every year.

Stephen: Right. And, what's interesting is that, and I think we've talked about this over the course of the podcast, is thinking about this "one grant, one loan" idea, and I think what a lot of people had in mind was when you would eliminate SEOG you would just dump it into Pell, and that's what we've sort of had

in the back of our minds, is how they would accomplish this. And so, I was intrigued to see that that's how it looks like they did it, as you said, and we might get some more context down the road.

Justin: Yeah. And, they did loosen some of the requirements associated with awarding work-study. So, not only did they double it, or close to double it in the authorizing language, then they loosened some of the restrictions on how schools spend it, so like community service requirements, etc., etc.

Stephen: The private sector employment cap was eliminated.

Megan: Yeah.

Justin: And then, how does that work, how will that play out for funding for schools based on the allocation formula, because the bill also contains allocation formula changes, right?

Stephen: Right. So, the bill does include the elimination of the base guarantee component of the campus-based data allocation formula, and now it would, if the bill would go through, would just be for work-study. And so, the phase-out of the base guarantee component would be essentially over five years. NASFAA's recommendation does support phasing out the base guarantee, but over 10 years instead of the five years, and that's largely to allow schools some time to plan and to ensure on the other side of things that there isn't a dramatic drop in aid for institutions that might stand to lose because of their high component of the base guarantee funds at their institution.

Karen: Or a dramatic increase could be problematic as well.

Stephen: Yeah, exactly.

Karen: Especially since there's a penalty if you don't spend all of your funds.

Stephen: And that's doubly important as well because of the change to the 50-50 institutional match, federal match. So, you could have, now we have a significant increase, hypothetically, of funds flowing to work-study, you have a five-year phase out, and then you also have a five-year phase in of this 50-50 institutional federal match, ratio change. So, that could be a dramatic change for institutions. We flagged that in our letter to the Hill, where we noted that these sudden changes in the allocation formula, both on the match side as well as on the phase out of the base guarantee could be problematic and is something that legislators should think about.

Justin: Yeah, the way this also diverged from our proposal was that on top of a 10-year spread we had said that no school would see more than a 10 percent increase or decrease. So then you could sort of plan out over that 10 years what that would look like for you, right? And with the 50-50 match that's going to be a pretty big deal. Okay.

Karen: What's kind of interesting is the, because it's technically not an institutional match, it's a non federal share. So, not all of it, but if you have the private sector employment, so I was kind of thinking of okay, so the non federal share goes up to 50 percent, but then we also got rid of the private sector employment cap that we have, so I wonder if any institutions, you know, if they are struggling to have it be a true institutional match, if they might kind of push more employment out to the private sector since now they would be allow to do that, because in the private sector the employer has to pay the full wages. So then that would be a chance to pull in more, to meet that requirement but not have it come from the institution.

Justin: Great, thank you. Let's turn to some loan questions that we received. I think we talked about this a number of times but we kept getting questions about under the ONE loan program, so that's capital O-N-E, ONE loan, which would replace the Direct Loan program.

Megan: But not an acronym, somebody asked that.

Karen: I was going to ask that, too.

Megan: Yeah, it was originally, right, one of you heard it?

Justin: Well, they were talking about it.

Megan: Yeah, and then it got nixed, but it's still capital O-N-E.

Justin: Yeah, so ONE loan. Are all subsidized loans eliminated? You know, I just want to point something out. Have you noticed like in the last, I don't know, reauthorization, maybe 10, 15 years, they've stopped naming programs after people? Because I think they know, they've learned that it's a lot harder to do something with programs once they're legacy programs and named of people.

Karen: Ah, that's a good observation, yeah.

Megan: Yeah.

Justin: I don't know.

Megan: I never really thought about it like that.

Justin: When you look at like TEACH, or what were the ones, ACG?

Karen: ACG.

Justin: And SMART. They stopped naming those after people.

Stephen: PSLF doesn't have a name.

Justin: Right. So, anyway.

Stephen: Which is, for transparency, I think, a good thing that a student can understand what a program is based on its name and not just…

Karen: Somebody's name.

Megan: Yeah.

Justin: Well, think about it. I mean, we used to have the Basic Educational Opportunity Grant that got…

Karen: Turned into Pell.

Justin: Right, turned into Pell after Senator Claiborne Pell. The Direct Loan program was named after…

Karen: Stafford.

Justin: Yeah, Stafford, and William D. Ford, but they've stopped doing that. So anyway, that sort of went out in the mid-90's. All right.

Megan: So it's not the Foxx loan.

Multiple Speakers: [Laughter].

Justin: But the question is, are all subsidized loans eliminated and would that mean SULA is going away? Karen?

Karen: Yes. So, the answer is yes, the ONE loan would be a completely unsubsidized loan. The question about will SULA go away, so if we don't have a subsidy, the limitations on the subsidy would obviously go away. I think what people are really asking by asking that question, though, is will all of the SULA reporting requirements go away? And I think the answer to that is probably not.

Justin: No, because at the very least you have a phase-out.

Karen: Right.

Justin: So, what about all the students that have Direct Loans and subsidies? Like you still have to, those students all have to be monitored?

Karen: Yes, because there is this weird thing as we move from the Direct Loan program into the ONE program where borrowers who are already in Direct Loan can stay there until a certain date, which is like September of 2024. So, there would be this weird period in there where the two programs would be working at the same time. So we have had some questions like that sounds like a nightmare, like a student would, a current borrower would have an option of which loan program they want to pursue. So, a nightmare for the schools, how does the student decide which one? Should they go over to the ONE program, or should they stay in Direct Loan? Which, if it's a subsidized loan, I don't know. So, there's a lot of education for the student and for the institutions, like administrative stuff that will need to happen during that weird time of transition.

Justin: The main things that are reported during SULA, so you've got the student, you've got — they're getting a subsidized loan, and you're reporting a program.

Karen: Right.

Justin: And, since repayment rates would be the new metric based on program, I don't see this going away.

Karen: Right.

Justin: You're going to have to be reporting CIP codes on everybody.

Karen: Yeah, yeah. If anything, I think the overall trend is to get more information on programs, which is the reason why I don't think, I mean, even if we didn't have these programmatic repayment rates, I don't think that the CIP code reporting would go away because the department really wants that information.

Justin: Yeah. Okay, so you talked about this transition period, the question is, would a student be able to continue to borrow a Direct Loan through 2024?

Karen: They would if they're a current Direct Loan borrower.

Justin: And if they're not?

Karen: If they're not, once this ONE program comes in, that would be their only option.

Justin: So then they're going to have to, if you're a 1st time borrower your option is ONE loan?

Karen: Right.

Justin: Okay. What about Public Service Loan Forgiveness, or people grandfathered in? That was a question we got over, and over, and over again.

Karen: Yes, we get that all the time. Yeah, the elimination of PSLF would only be for new borrowers. And so, there is a specific date in the legislation. Obviously, that would change based on…

Justin: When it actually happens.

Karen: Yeah, when it actually happens.

Justin: Does the $150,000 cap for graduate borrowers include their undergraduate debt, or is that new graduate-level debt?

Karen: Yeah, so the $150,000, that's the aggregate borrowing limit, and I think it was unclear in the wording, in the legislation, but we did send that question over, and Megan, I believe we got a response that it does include undergraduate borrowing. Right?

Megan: Yes, and they're looking to tighten that language.

Justin: So, health professionals are allowed some additional borrowing, the same amount that they're allowed today. I think the question here is — well I guess that was the question so I just answered it. Was that it?

Karen: Yeah, I mean there's an interesting point, though, about this additional health professions borrowing, is that right now what's in the statute is authority for the secretary to authorize additional borrowing.

Justin: What programs, I think, where this is getting at? Right? Like what defines…?

Karen: Right. So, right now the secretary has designated the eligible programs, and what this does is...

Justin: Were those eligible programs just the old, the programs that used to qualify for HEAL loans?

Karen: There were, there have been a few additions over the years, I think like naturopathic.

Justin: There's been none in the last at least 10 years.

Karen: But, what this, the bill, does is it names all of those programs in the statute, so that really gets rid of the possibility of any additional programs being added without changing the statute.

Justin: Do you recall what happens with high-cost programs? Remember, did we get, was there anything in the statute about the secretary being able to provide additional money for high-cost programs?

Karen: Yeah, that was their authority, their general authority, and they had chosen to exercise it only for these health professions type programs. So, it wasn't limited in the statute to health professionals.

Justin: And going forward?

Karen: So, in going forward, only these specific health professions. So, they don't say anything about high costs, it's just these programs can borrow this additional money in the statute.

Justin: So, let me just clarify, so if I'm in a, I'm getting my — the one I hear cited most often in the past has been like I'm getting my pilot's license, and that's a high-cost one.

Karen: You've heard that one? I've never heard the pilot's one. I usually hear PT, OT, and nursing.

Justin: But out of health, this is what I'm getting. What's their option, then, for additional borrowing?

Karen: They don't have any.

Megan: Private.

Karen: Yeah. I mean short of statutory change.

Justin: And the secretary couldn't give it either.

Karen: Right, which now technically they can. I mean, they haven't, they've chosen not to, but that was allowed by the statute.

Megan: And, I mean I think we can share here that when we first heard this proposal, Justin, either you or me said well, this doesn't sound very good for law schools, for example. And, I think their answer was that's right.

Justin: Right.

Megan: Lower your costs.

Justin: They knew that.

Megan: Lower your costs, yeah. Well, you could have made that argument for other, business school, whatever. I'm just saying the fact that it's only health is clear intent.

Justin: Yeah. The reason it's a double hit is because it gets rid of PLUS. So, borrowing up to the cost of attendance ceases under this. Karen, so the other thing the bill would do is limit the amount of negative amortization through forgiveness, it's just not time-based forgiveness program. Can you talk a little bit about that? I think people were confused about do we still have loan forgiveness or not under the ONE loan program?

Karen: Yeah. I think that, my understanding is that there were folks on the Hill that wanted to eliminate the current time-based forgiveness that we have, that you repay for a certain number of years and at the end, under the income-driven repayment plans, and at the end of whatever the time limit is, depending on which repayment plan you're in, then your remaining balance is forgiven. So there was interest on the Hill in getting rid of that. But the concern about getting rid of that time-based forgiveness is that then theoretically, people can pay forever because there's like no light at the end of the tunnel, and especially if you have people who have really low payments based on their income, their loan balances are growing, what we call negative amortization. So, they're like, their hole is getting bigger and bigger and they're repaying the whole time and they're never making any dent in their balance at all. So they never finish repaying. So, I think that this limit on the negative amortization was in response to those concerns, so they said okay, what if we get rid of the time-based loan forgiveness, but as a protection for borrowers, so that they're not continuing to dig their hole bigger and bigger, that there will be a cap on the extent to which the negative amortization can happen. So, basically, it would mean that the borrower repays based on their income, which works similar to how it does now, but when the borrower goes into the income-driven repayment plan they figure out hey, if you were in a 10-year standard, this is the total amount that you would repay — your principal plus whatever the interest is. And so, that's the amount that we will expect you to pay under your income-driven repayment plan. So, however long it takes you to get to that point, that's all that we're going to expect. So if you have a loan, you borrowed $5,000, if you were in 10-year standard and $1,000 of interest accrues, so you would end up repaying $6,000. They would say, under this income-driven repayment plan, you pay

based on your income until whatever point it is when you have repaid $6,000, and then you are done. So, if your income is lower it might take you a really long time to repay $6,000, and if your income is higher you might repay it a little sooner, but you're never going to repay more total dollars than what you would if you were in 10-year standard.

Justin: So, I was thinking when we originally saw this floated I was thinking like okay, how does this work if I'm paying income-based repayment and the only amount that I'm paying is interest, like it would only, because that's what negative amortization is, you've got more interest accumulating than you're paying. Then do you pay off and your interest stops accumulating? Or z and the way it sounds is your interest, everything continues to accumulate, you could, it could look like you're still doing negative amortization.

Karen: Yes.

Justin: And it doesn't matter if the payments are principal or interest, but when you've paid the full cost of that loan in a 10-year standardized repayment, that's it, it's done.

Karen: Yeah. So we were all confused about how this would all work so we were kind of drawing up the scenarios, and when we checked with the House about what they intended they said yeah, when you're repaying, they don't worry about what dollars are going to interest, towards principal, it all just goes into the pot. They track how much money in total you have repaid, and once you hit that, so yeah, so it's true during that time you can be negatively amortizing, and your balance is getting bigger, but you're only going to have to repay until a point where you have repaid that balance, and then the rest is...

Justin: In your scenario that's $6,000, and that doesn't matter if $5,000 of that looked like it was just going to interest.

Karen: Right.

Justin: It's just $6,000, $6,000, every dollar counts towards the $6,000.

Karen: Right.

Justin: Okay.

Karen: So it doesn't eliminate negative amortization, but it kind of puts this cap on it, yeah.

Justin: The other thing that we got a lot of questions about was this counseling piece again, and this sort of spans both Pell and loans, but people are confused about the annual counseling, whether that's required, voluntary, who has to do it, how it will work.

Karen: Yeah. For loans, are you talking about loans?

Justin: Yeah.

Karen: Yeah, so we would get rid of the idea of a one-time entrance loan counseling, so there would be annual loan counseling that everybody has to do, parents included. And the borrower would have to do the annual counseling, kind of I think of these things all together, do the annual counseling, accept the loan amount on an annual basis. I'm looking at Stephen to make sure I'm right here. Accept the loan in writing, so there wouldn't be this passive award like let us know if you don't want this, so you would have to actively confirm and accept the loan, and then you would also have to sign this new plain language disclosure that right now is a disclosure that the secretary sends out to borrowers, but there's no written acknowledgment piece to that.

Justin: We don't know who's tracking?

Karen: Yeah. So we don't know who's doing that disclosure piece, but those, I think those are like the three active things that you have to do that everybody will have to do with their loans on an annual basis.

Justin: Separate from that, though, there is still annual counseling that's going to be required of Pell recipients, right? So, even if you're just getting Pell and no loans you're still going to have to go through annual counseling.

Karen: Yes.

Justin: Separate, some same, but some different disclosures and counseling requirements associated with just Pell.

Karen: Yeah, because obviously it's about like your rights and responsibilities as a Pell recipient. You know, they talk about LEU's and your remaining eligibility.

Megan: Financial literacy.

Karen: Yeah, budgeting your refund money, things like that.

Justin: How you spend your money.

Karen: How you spend your money, yeah.

Stephen: And the plain language disclosure piece wasn't in the original PROSPER Act, that was an amendment by Rep. Messer, a Republican from Indiana. This was his sort of individual bill, and then he added it as an amendment. So, I think there's some support particularly here at NASFAA for folks to take a look at the landscape that the bill creates with all of these pieces and whether they're all working together, right? So, you have this disparate piece potentially with the plain language disclosure form where they say the secretary has to create the template, create the form, and ensure the student signs it, is sort of how we're reading it at this point. But then, how would that play into the school's annual counseling? And so, there's just a few pieces here that aren't all working together as they could.

Karen: As another example, Megan, before you got here, Stephen, Megan had mentioned with R2T4 and the "aid like a paycheck," like they're kind of like separate things and there may not have been much consideration of how they fit together, so that's another example of that.

Justin: So, I think that wraps up most of the questions that we got and people can still submit questions, but we also want to put this bill in perspective. This is one bill, and where do we head from here? Megan, you want to take us through the process?

Megan: Yeah, so like Justin said, this is one bill. The House is sort of laying a stake in the ground of where they are on higher education. So, next steps, and these two can kind of happen in tandem, we've heard that Chairwoman Foxx wants to take the bill before the full House sometime this spring, so I mean taking the bill to the House floor where the entire chamber will vote on the bill. And then, separately, over in the Senate, they're kind of kicking off their process of working on reauthorization, and I've heard that they've been saying by Easter they'll have a draft bill out, a draft comprehensive bill, which seems quite ambitious.

Karen: So that's April 1.

Megan: Right, so, which is also April Fools Day, so who knows. But, the Senate will do essentially the same thing, they'll put out a comprehensive draft. It will include some of these things from the House draft and probably look very different in other ways. And then, from that point on we go through the sausage making, continue the legislative process of the House and Senate working together to

ultimately come to agreement on what will be the final bill. So we're still a long ways away from it, I think.

Stephen: I think it will be really interesting to see how this plays out. We've talked about this over the past few weeks and months on the podcast, as always, but this is a midterm election year and people look down the road to see what might happen as a result of a midterm election, and we've heard sort of anecdotally from a few folks on the Democratic side who feel like hey, maybe we'll win back the House, or maybe we'll win back the House and Senate. So, from their perspective, do they have a huge incentive to complete the HEA process when they may have better sort of cards dealt to them next year? I think that's something to keep in mind. If you're a Republican and you're concerned Democrats may take back the chamber, maybe you're thinking this is our chance. We have both chambers and the White House. That doesn't happen, regardless of party, a lot. So, I think the political dynamics are very interesting, and as we get closer to November will matter even more.

Justin: All right, so, I think that wraps up our questions. People can still ask us questions at policy@nasfaa.org, and we'll just have to see how this progresses. Thanks, everybody, for joining us for our special edition of "Off The Cuff," and we'll see you again next time.