



# PROSPER Act | Bill Summary

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Since 1965, the *Higher Education Act* has provided federal support to both individuals pursuing a postsecondary education and institutions of higher education. However, federal law is no longer working for postsecondary students. Since the last reform of the HEA, our country has faced an economic crisis and the higher education landscape has significantly changed. A decade since the recession began, the American workforce faces a shortage of 6 million skilled workers. At the same time, students are facing higher tuition rates and have collectively taken on over a trillion dollars in student debt. Reforms must be made to assist students in completing an affordable higher education that will prepare them to enter the workforce with the skills they need to be successful.

The *Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act* as passed by the Committee on Education and the Workforce will help more Americans earn a lifetime of success by:

- Promoting innovation, access, and completion;
- Simplifying and improving student aid;
- Empowering students and families to make informed decisions; and
- Ensuring strong accountability and a limited federal role.

## Promoting Innovation, Access, and Completion

- **Strengthens Workforce Development:** The bill expands opportunities for students to participate in industry-led earn-and-learn programs that lead to high-wage, high-skill, and high-demand careers by supporting partnerships between industry and institutions to develop these programs. It also allows students to use Pell Grants for shorter-term programs that will assist them in entering the workforce more quickly. Additionally, the legislation focuses additional resources on the Federal Work-Study program, while eliminating the arbitrary cap that prevents more than 25 percent of an institution's Work-Study funding from flowing to students working at private-sector companies. The bill also allows institutions to use more resources to locate and develop work-based learning jobs, including apprenticeships, for students that align with the students' career goals. The bill allows institutions to use institutional aid to develop and implement career-specific programs. It also requires accrediting agencies to have at least one representative from the business community on the agency's board.
- **Encourages Innovative Learning:** The bill repeals the outdated and rigid definition of distance education, making it possible for institutions to develop more innovative methods of delivering postsecondary education. It also encourages competency-based education by creating a clear pathway for such programs to be eligible for federal student aid to help students attain a less costly degree based on their own learning schedule. The bill also allows new providers of higher

education to collaborate with traditional colleges and universities to offer educational programs to student that are eligible for student aid.

- **Emphasizes Access and Completion:** The bill encourages Pell-eligible students to complete on-time and with less debt by offering a \$300 Pell Grant bonus to students who take 15 credits per semester in an award year. The legislation also reforms the TRIO programs to more easily allow first-time applicants the opportunity to compete for a grant, increasing access to the programs for more students by requiring a 20 percent non-federal match, and encouraging evidence-based programs focused on increasing college access and completion by setting aside at least 10 percent of grant funds for this purpose.

### Simplifying and Improving Student Aid

- **Further Simplifies the FAFSA:** The bill aligns the maximum income threshold required to qualify for the simplified version of FAFSA, known as the simplified needs test, with the simplified tax forms so more middle class families will be able to easily and quickly complete the form. The bill also ensures students are allowed to continue to apply for federal student aid with income data from two years prior to the date of application. It also makes the FAFSA available on a mobile app and requires both the app and the online form to be consumer-tested so it is clear and easy to use.
- **Streamlines Student Aid:** The bill streamlines student aid programs into one grant program, one loan program, and one work-study program to ease confusion for students who are deciding the best options available to responsibly pay for their college education.
  - **One Grant:** The bill reauthorizes the Pell Grant program through fiscal year 2024 and requires institutions to disburse the grants to students on a weekly or monthly basis, similar to a paycheck. It also directs the Secretary to annually provide an individualized Pell Grant status report to each grant recipient so students are aware of how much of the grant they have used and how much is left. Further, the bill includes a provision to prevent fraud in the Pell Grant program by prohibiting students who have received a grant for three award years but did not earn any academic credit from receiving additional Pell Grants. The bill also provides the Secretary additional discretion to stop payments to students with unusual enrollment histories.
  - **One Loan:** The bill streamlines the six loans currently available into the new Federal ONE Loan Program with one unsubsidized loan per category of borrower: an undergraduate loan, a graduate loan, and a parent loan. The program offers reasonable annual and aggregate limits on undergraduate, graduate, and parent borrowing and allows financial aid administrators to develop lower loan limits for certain categories of borrowers to ensure responsible lending. Like the reform in the Pell Grant program, institutions are required to disburse loans to students on a weekly or monthly basis, similar to a paycheck. The bill eliminates the origination fees borrowers are currently charged for each loan disbursed and maintains the market-driven interest rates set in current law.
  - **One Work-Study:** The bill reforms the outdated Federal Work-Study program allocation formula by equitably distributing work-study dollars based on Pell Grant dollars and

undergraduate student need. It creates a new set aside of up to \$150 million for institutions that have strong Pell Grant recipient completion rates or have significant improvement of the rate from the preceding fiscal year. The bill also focuses the limited funding in this program for students pursuing an undergraduate degree.

- **Simplifies Repayment:** The bill pares down the maze of loan repayment options to one standard 10-year repayment plan and one income-based repayment (IBR) plan. Borrowers in the IBR plan are required to repay only the principal and interest they would have paid under a standard 10-year plan, as calculated when they entered repayment.

### Empowering Students and Families to Make Informed Decisions

- **Improves Early Awareness:** The bill requires the Secretary, in consultation with states, institutions of higher education, secondary schools, and college access programs, to notify secondary school students no later than the students' sophomore year of the availability of federal financial aid and the difference between federal grants and loans. It also encourages states, institutions of higher education, and other stakeholders to share best practices on disseminating information about financial assistance to these students. Additionally, the bill directs the Secretary to maintain a consumer-tested early estimator tool, available online and through a mobile app, which will give students and parents an estimate of a student's potential federal aid eligibility.
- **Increases Transparency:** The bill requires the Secretary to create a consumer-tested College Dashboard that displays key information about colleges and universities, including enrollment, completion, cost, and financial aid. The Dashboard will include aggregated information on the average debt of borrowers at graduation and the average salary of students who received federal financial aid both five and 10 years after graduation for each program at an institution of higher education that participates in a student aid program under Title IV. The Secretary is also required to provide students a link to the College Dashboard page of each institution listed on the student's FAFSA to make sure students know this information is available.
- **Enhances Financial Aid Counseling:** The bill requires all recipients of federal student aid to undergo enhanced financial aid counseling, including, for the first time, Pell Grant recipients and parent borrowers. The bill requires loan counseling to be tailored to a borrower's individual situation as well as improves the timing and frequency by requiring annual loan counseling before an individual signs on the dotted line so the borrower, both students and parents, have the most up-to-date information. Exit counseling is bolstered to include information on the borrower's outstanding loan balance and anticipated monthly payments and contact information for the borrower's loan servicer. Annual Pell Grant counseling is also required for all Pell recipients.

### Ensuring Strong Accountability and a Limited Federal Role

- **Strengthens Accountability through Accreditation:** To streamline federal requirements placed on accreditors and focus accreditors on reviewing student outcomes, the bill replaces the current 10 statutory accreditation standards with a requirement that accreditors have standards that assess the institution's success in relation to the institution's mission with

respect to student learning and educational outcomes. The bill also increases institutional accountability, without involvement by the Secretary, by requiring accreditors to have a system in place where they annually identify institutions or programs accredited by the agency that may be experiencing difficulties accomplishing their missions with respect to their established student learning and educational outcome goals.

- **Increases Institutional Risk-Sharing:** The bill reforms the return to Title IV process to reduce burden and increase institutional risk-sharing tied to student completion. To push institutions to focus on student completion and require institutions to share in the risk of non-completion, the burden of repaying unearned aid when a student withdraws from an institution is shifted on to the institution. Further, the bill creates a program-level loan repayment rate tied to program eligibility that replaces the institutional-level cohort default rate which will target federal student aid to only those programs where graduates have the ability to repay their student loans.
- **Eliminates burdensome federal regulations and unnecessary reporting requirements:** The bill eliminates burdensome federal regulations that put Washington in the middle of issues that are the responsibility of institutions or states, limit student choice, and stifle innovative practices by institutions. The bill also repeals or streamlines reporting requirements that fail to provide useful information to students, families, and policymakers, and exacerbate rising college costs.
- **Reduces the Secretary's Authority:** The bill places strong prohibitions on the Secretary by explicitly prohibiting her from exceeding her authority, defining any terms inconsistent with the *Higher Education Act*, or adding any requirements on institutions and states that are not explicitly authorized in the law.
- **Repeals Unfunded Programs.** The bill repeals all unfunded programs ensuring congressional priorities are maintained in the future.