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THE COLLEGE COST REDUCTION ACT

INTRODUCED: January 11, 2024, by Rep. Virginia Foxx (R-NC), chair of the House Committee on Education and the Workforce.

- Bill Language
- Committee Fact Sheet
- Committee Summary

OVERVIEW: The College Cost Reduction Act would reauthorize a substantial portion of the Higher Education Act. The legislation is intended to address "the inflated cost of obtaining a college degree." Although it does have some provisions that would benefit both students and private, nonprofit colleges and universities, the bill nevertheless contains a number of highly problematic measures that NAICU strongly opposes, including loan limits linked to college cost, the elimination of important Title IV programs, risk sharing, and concerning changes to accreditation.

NAICU SUMMARY

Title I – Transparency

Standardizes financial aid offers. The Secretary of Education would be required to develop a standardized financial aid offer form with regulated definitions, terminology, formatting, and cost information, including estimated annual net price of attendance.

College Scorecard and postsecondary data system. The bill would revise the information that the College Scorecard is required to provide, with new definitions for cost of attendance, total net price, and consumer information requirements; the removal of College Navigator transparency lists, institutional categories and reports, state higher education spending charts, and net price calculator; and the addition of a school program comparison function and a universal net price calculator.

Authorizes a student-level record system for aided students. The bill would authorize the Commissioner of the National Center for Education Statistics to develop a secure, privacy-protected postsecondary student-level record system to house information on students receiving federal financial assistance, including Title IV and veterans' education benefits. The proposed system and any future databases would be exempt from the statutory ban on federal student unit record databases.

Title II – Access and Affordability

Caps total federal student aid at the median cost of college. The bill would limit the total amount of federal student aid a student can receive annually to the "median cost of college."

Cost of attendance disclosures. Institutions would be required to disclose the cost of attendance for each program of study, not just at the institution level.

Median cost of college definition. The median cost of college would be defined as the median cost of attendance for the specific program of study a student is enrolled in, across all institutions offering such a program for the preceding award year, as calculated by the Secretary.

Limits the maximum Pell Grant award. The proposal would limit the maximum Pell Grant a student may receive to the median cost of college for the program they are attending.

Authorizes a limited version of Pell Plus. The bill would establish a new Pell Plus Grant program to provide students enrolled in participating bachelor's degree programs during their junior and senior years with a double Pell Grant if they are on track for on-time completion. The combined value of a student's Pell Grant and Pell Plus Grant could not exceed the median cost of attending the program in which they are enrolled.

- Participation requirements. Institutions with programs participating in Pell Plus would also be required to ensure their programs' value-added earnings clear a set threshold and set a "maximum total price guarantee" to participate in the Pell Plus program, defined as the maximum total price of completion for the students' program of study, capped at the median value-added earnings of program completers in the most recent award year prior to the student's enrollment.

Eliminates the Federal Supplemental Education Opportunity Grant (SEOG) and Leveraging Education Assistance (LEAP) programs. The bill would sunset these programs on October 1, 2026.

Authorizes a new performance-based "PROMISE" grant program. The bill would create a new program to provide performance-based grants to schools based on institutional behavior and student outcomes, such as earnings, tuition levels, and lower-income student enrollment and graduation.

- Eligibility requirements:
  - *Maximum price guarantees.* Institutions would be required to provide prospective students a guaranteed maximum total price for an entire degree program that will not increase while the student is enrolled at the institution (capped at the lesser of the median time to completion or 6 years).
  - *Dissemination*. Institutions would be required to publish "maximum price guarantees" for all programs to participate. The bill would require the data to be disaggregated across student income and student aid index (SAI) categories, and be made available on the institution's website, and in its catalog, marketing materials, and other official publications.

- Funding formula. PROMISE Grants would be determined by a formula to the institution. The maximum grant amount would be $5,000 per federal student aid recipient.
- Reporting on use of funds. Institutions would be required to report how funds are used and disseminate best practices based on their evaluations of fund usage.
- Funded by risk-sharing payments and funds from other campus-based aid programs. PROMISE Grants would be funded first using risk-sharing payments made by institutions created by this bill, with an additional $2 billion in funds authorized over the next 10 years to cover any shortfall. If further funding was needed, the Secretary could prioritize grants based on the institution's percentage of enrolled low-income students.

Lowers annual loan limits. The bill would cap the total annual borrowing amount at the "median cost of college" of the program a student is enrolled in.

Lowers aggregate loan limits. The bill would:

- Cap the aggregate student loan limits at:
  - $50,000 for undergraduate students (up to $23,000 of which can be subsidized loans),
  - $100,000 for graduate students, and
  - $150,000 for students in graduate professional programs.
- Remove the aggregate undergraduate loan limit. Undergraduates enrolled in qualifying programs subject to federally regulated licensure requirements could exceed the aggregate undergraduate loan limit if the program has completion and job placement rates of at least 70 percent.
- Cap the total aggregate loan limit. The total aggregate amount of federal loans a student could borrow would be capped at $200,000.

Authorizes institutions to adjust loan limits. The bill would allow financial aid administrators to lower loan limits for all students enrolled in a program, based on College Scorecard earnings and repayment data. Students limited by this provision could individually request a higher borrowing limit not to exceed the annual loan amount limit, permitted at the discretion of the school's financial aid administrator.

Eliminates the Grad PLUS and Parent PLUS loan programs. The bill would sunset these programs on July 1, 2025.

Eliminates all but two federal student loan repayment plans. The bill would reduce all existing federal student loan repayment plans to two plans: a standard 10-year plan and an income-driven repayment (IDR) plan dubbed the "repayment assistance plan." Borrowers currently enrolled in an existing repayment plan could continue paying under those plans or opt for one of the new options.

- Repayment assistance plan. Borrowers who opt for this repayment plan would be required to pay 10 percent of their annual income above 150 percent of the federal poverty line (currently $21,870 for a single individual). On-time monthly payments would result in a portion of their payment being applied to their loan's principal with any remaining unpaid interest being waived. The number of payments borrowers are required to pay would be capped at the total amount of principal and interest owed under the standard 10-year plan.

- Secretarial prohibition on new repayment plans. The bill would prohibit the Secretary from creating or modifying repayment plans if it results in increased costs to the government.

Increases loan rehabilitation access. A provision would allow defaulted loans to go through the loan rehabilitation twice, rather than just once.

Eliminates interest capitalization. A provision would prohibit all instances of interest capitalization for current and new borrowers effective upon enactment.

Eliminates origination fees. Origination fees on new student loans would be prohibited.

Title III – Accountability and Student Success

Establishes risk-sharing payments. The bill would require institutions to pay the government annually for a portion of their former students' unpaid interest and principal on their loans. The payment amount would be based on a new formula that compares the institution's total program price for the students and the value-added earnings of students after they graduate or, in the case of students who do not graduate, the institution's completion rate.

- Payment formula. A school's risk-sharing annual payment = (risk-sharing percentage x non-repayment balance).
    - *Risk-sharing percentage formula.* (1 - (the median value-added earnings of program completers in the most recent award year / median total price charged to students in entire cohort)) x 100.
    - *Non-repayment balance.* For all applicable cohorts in standard 10-year repayments plans: (Total payments due - total payments made).
        - For those enrolled in repayment plans: (Total payments due - total payments made) + (Total repayment assistance provided, including unpaid principal reduced and interest subtracted).
- Penalties for late or missed payments. Late or missed payments would result in escalating penalties, beginning with interest added to the payment total and ending with the loss of Title IV eligibility.
- Relief for voluntary program closure. If an institution voluntarily agreed to stop disbursing federal student loans for a program (or a substantially similar one) for 10 years, 50 percent of the required risk-sharing payments would be waived.
- Effective date. July 1, 2024. Payments would be due within 90 days from when the Department notifies the school of how much the institution owes.

The bill would repeal numerous regulations, such as:

- 90/10 rule. The bill would repeal current regulations and the Secretary's authority to establish any future regulations.
- Financial Value Transparency and Gainful Employment. The bill would repeal current regulations and the Secretary's authority to establish any future regulations.
- Changes in ownership. The bill would repeal current regulations and require institutions to pay an administrative fee when submitting change of control and conversion applications.

  - *Fee amount*. Most institutions would pay .15 percent of total institutional revenue derived from Title IV. For-profits pay .30 percent. The maximum fee would be capped at $120,000.
  - *Monitoring period and fees.* Institutions undergoing conversions are subject to a 5-year monitoring period that includes annual fees of .15 percent of total institutional revenue, as above, capped at a maximum of $60,000.
  - *Disclosures*. The Department would be required to publicly disclose data on the processing and outcomes of conversion applications each year.
- Financial responsibility. The bill would repeal current regulations and clarify circumstances in which the Department determines whether an institution is financially responsible. It would also require the agency to undergo a new process to update the financial responsibility ratios within 18 months of enactment.
- Codifies incentive compensation exception. The bill would codify the current bundled services exception to the ban on incentive compensation for third-party recruiting or admissions activities.
- Third-party servicer definition and limitation on Secretary authority. The bill would define “third-party servicer” as an entity that contracts with an institution to administer any aspect of the institution’s Title IV student assistance programs but would exempt entities that provide services for the purposes of marketing or recruiting, assisting with completion of applications for enrollment, administering ability-to-benefit tests, conducting activities for student retention, and providing instructional content or developing curricula or course materials. The Secretary would be prohibited from regulating the definition of third-party servicer.

Other regulatory repeals. The bill would also repeal recent regulations related to:

- Closed school discharges,
- Borrower defense to repayment,
- Pre-dispute arbitration,
- False certification,
- Administrative capability,
- Certification procedures,
- Ability to benefit, and
- Guidance related to personal liability for financial losses related to Title IV programs.

Also, the Department would be prohibited from issuing similar regulations on these topics, and any prior regulations would be reinstated as if the repealed rules had never been in effect.

Time limits on program review activities. The Department would be required to issue a report no later than 90 days following a site visit and set a 2-year maximum timeline for the entire program review process.

Limits the Secretary’s authority to propose or issue regulations and executive actions. The bill would prohibit the Secretary from implementing any new economically significant regulations or executive actions that would result in an increase in the subsidy cost.

Federal preemption of joint federal-state oversight of federal student aid. The bill would clarify federal preemption of state laws that conflict with federal requirements for federal student loan servicers and establish new requirements for the Office of Federal Student Aid (FSA) to follow when disseminating formal guidance.

Accreditation reform. The bill would overhaul the current accreditation system by, among other things, allowing states to designate industry-specific accreditors and requiring accreditors to focus on student outcomes.

- Repeals regional monopoly on accreditation. The bill would codify the 2019 Trump administration regulations that eliminated regional accreditation.
- Separate and independent. The bill would eliminate the Secretary's authority to waive the requirement that an accreditor must be both administratively and financially separate from, and independent of, any related or affiliated trade association or membership organization.
- Business representation. An accreditor's board or governing body would be required to have at least one public member representing business and a minimum of one public member representing business for every six members of the accreditor's board or governing body. Public members could not be a member of any related or affiliated trade association or membership organization.
- Board conflicts of interest. Accreditors would be required to establish guidelines for members of the board or governing body to avoid conflicts of interest. Such members could not be employees of any institution accredited by the agency or have a financial interest in any of the accredited institutions.
- Emphasis on outcomes. The bill would require accreditors to establish student achievement outcomes standards to assess the quality of institutions and programs of study, including a program of study's median total price relative to the median value-added earnings of graduates, learning outcomes measures, labor market outcomes, and student success outcomes.
- State designation. States would be allowed to designate an entity, such as an industry-specific quality assurance entity, to be an accreditor for the purposes of verifying the quality of degrees and credentials eligible for Title IV funding.
- Accelerated path to recognition. The bill would permit prospective accreditors to be recognized by the Secretary before the customary timeframe of two or more years if the prospective accreditor can demonstrate it has at least one year of experience making accreditation decisions, meets the criteria required, and agrees to submit monitoring reports.
- Review of substantive changes. The bill would limit the types of actions subject to substantive change review. At a minimum, substantive changes would include changes to the institution's educational mission, changes in legal status, control, or ownership, creation of new programs at a higher credential level then already offered at an institution, and establishment of contracts with an organization providing more than 50 percent of educational instruction.
- Accreditation actions and transparency. The bill would require accreditors to be more transparent by posting all actions taken by the accreditor and a summary of why any adverse actions were taken.

- Prohibition on litmus test standards. Accreditors would be prohibited from requiring the institutions and programs they accredit to meet any litmus tests, such as requiring adherence to diversity, equity, and inclusion standards, as a condition of accreditation.
- Respect for governance. The bill would prohibit accreditors from assessing the roles of elected and appointed state and federal officials and legislative bodies.
- Credential inflation. Accreditors would be prohibited from requiring an institution to develop a degree program, certificate, or credential that is not in response to the needs of an industry or occupation.
- Longer recognition for high performing accreditors. The Secretary would be allowed to recognize an accreditor for up to an additional three years if the accreditor has the capability and has maintained compliance.
- Limiting secretarial and accreditor authority. The bill would prohibit the Secretary from establishing any additional criteria for accreditors and would limit the standards institutions or programs must meet to be Title IV-eligible to those standards in the law.
- Change of accreditor. Any institution or program of study not under sanction by its accreditor or a state agency would be permitted to change accreditors without the approval of the Secretary.
- Dual accreditation. Institutions would be permitted to be accredited by more than one accreditor and to change the designation of which accreditor determines its Title IV eligibility at the end of the institution's recognition period.
- Treatment of religious institutions. The bill would add new provisions requiring an accreditor to respect an institution's religious mission.
- Risk-based review process. Accreditors would be required to establish a risk-based review process that allows them to focus on institutions struggling to meet accreditation standards and to reduce compliance requirements for institutions or programs of study meeting or exceeding performance standards.

Narrows the function of the National Advisory Committee on Institutional Quality and Integrity (NACIQI). The bill would narrow the function of NACIQI to only the authorities listed in statute. It would also disqualify an individual from being appointed to NACIQI if the person has a significant conflict of interest that would require that individual to frequently recuse himself or herself from the proceedings.

Establishes the Alternative Quality Assurance Experimental Site Initiative. The bill would establish a voluntary experimental site to evaluate whether institutions and non-institution education providers could maintain high student achievement outcomes for the purposes of receiving Title IV funding without being accredited by a federally recognized accreditor.

Codifies and reforms Postsecondary Student Success Grants. The bill would codify and reform the existing Postsecondary Student Success Grant (PSSG) program, which supports programs aimed at improving outcomes, retention, and completion for underserved students.

Reverses Transfer Efficiency Act. This provision would allow an institution to release a student's educational records to another institution to facilitate the awarding of a postsecondary credential, so long as written student consent is obtained.

Requires transfer credit disclosures and prohibits accreditor-based denials. Institutions would be required to publicly disclose transfer of credit policies but would be prohibited from establishing policies that deny credit earned at another institution based only on the source of accreditation of the sending institution.