



# What to Look for in the Fight to Protect Student Loan Borrowers

February 2018

The Trump Administration and Congressional leaders have taken actions that put corporate interests ahead of struggling students. Below are important legislative and regulatory actions to watch for:

## The House: H.R. 4508, the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER Act)

- Introduced by Virginia Foxx (R-N.C.-5), Chair of the House Committee on Education and Workforce.
- H.R. 4508 is the House's proposal for rewriting the Higher Education Act, the nation's main law governing postsecondary education.
- Besides reauthorizing several Higher Education Act programs through fiscal year 2024, this bill contains harmful provisions that remove the safety net that prevents debt from ruining the lives of low- and moderate-income students. Specifically, HR 4508:
  - **Makes college more unaffordable** by eliminating the Supplemental Educational Opportunity Grants, TEACH Grants, and federal subsidized loans. It also fails to increase the annual Pell Grant award in line with rising costs and inflation, with the exception of a small bonus for students who take a 15-credit course load.
  - **Steers low-income students toward work and career training programs** at the expense of funding access to college by expanding Title IV aid eligibility to programs as short as 10 weeks, cutting Title III funding by more than \$200 million by fiscal year 2019, and tying Title III and Title V funding to a new accountability metric based on completion rate. While traditional college may not be the right path for everyone, meaningful access to higher education requires that students can make these decisions without undue worry about a lifetime of financial consequences.
  - **Undermines institutional accountability and ensures predatory for-profit colleges and others will have access to more federal funds than ever** by repealing the Gainful Employment Rule, Borrower Defense to Repayment Rule, 90-10 Rule for for-profit colleges and redefining "institution of higher education" to include for-profit colleges.
  - **Makes it harder for borrowers to pay back their federal loans** by eliminating all loan forgiveness programs and raising the minimum payment under a single income-based repayment plan to \$25 or 15% of discretionary income (whichever is higher).
  - **Prevents state oversight of institutions and student loan servicers** by repealing state rules and expressly pre-empting states from regulating loan servicers.
  - **Status:** H.R. 4508 passed out of the House Committee on Education and Workforce and is currently awaiting a scheduled vote on the House Floor.

### Call to Action

Call your Members of Congress and encourage them to **vote NO** when H.R. 4508 comes to the House Floor.

## The Senate: Higher Education Reauthorization Act of 2018

- Chairman Lamar Alexander (R-Tenn.) and Ranking Member Patty Murray (D-Wash.) of the Senate Health, Education, Labor and Pensions (HELP) Committee have made public statements that they would like to see a new bill to reauthorize the Higher Education Act this year. They are currently accepting comments about what to prioritize.
- Status: Legislative text is still pending, however, the PROSPER Act, could pass the House and head to the Senate where Senators would then amend this legislation and pass it as the reauthorization bill.

### Call to Action

The Center for Responsible Lending (CRL) asks the following to be included in the Senate version of Higher Education Reauthorization and encourages you to ask Senators not to propose or pass legislation without the following:

- Preservation and streamlining of income-based repayment plans and loan forgiveness;
- Statutory requirements to ensure loan servicers meet basic consumer protection standards;
- Increased and indexed low-income grant aid (PELL, TEACH, FSEOG);
- Increased aid for Title III and Title V Schools with no new criteria for access; and
- Strong accountability measures for predatory for-profit programs that fail to provide students a quality education.

## The Department of Education

In June 2017, the U.S. Department of Education announced its decision to roll back important rules that protect students from the abusive practices of predatory for-profit institutions—the Borrower Defense to Repayment and Gainful Employment regulations. These rules were created to shield students and taxpayers from deceptive acts like that of ITT Tech and Corinthian Colleges--for-profit college systems that abruptly closed their doors after widespread abuses put them on the brink of bankruptcy and jeopardized the futures of thousands of students. The announcement detailed not just delays in implementation and enforcement of the current rules but an entirely new rulemaking process.

<p><b>Gainful Employment Rule</b> This rule aims to curb the worst for-profit college abuses, by requiring that schools demonstrate their programs lead to gainful employment. Schools that fail to meet these standards may face the loss of access to student loans after four years of successive failure.</p> <p><b>Status:</b> The final convening of the rulemaking committee will take place March 12 to 15 in Washington, D.C.</p>	<p><b>Borrower Defense to Repayment Rule</b> This rule allows defrauded borrowers of fraudulent for-profit schools to make a claim to have their loans discharged. It also includes mechanisms to hold these institutions accountable for their behavior.</p> <p><b>Status:</b> The final convening of the rulemaking committee occurred in February without consensus. It is expected that the Department will issue a proposed rule in early summer with the goal of finalizing it in late 2018.</p>	<p><b>Servicing Standards and Contracts</b> Currently, the Department of Education is re-negotiating its student loan contracts. Under the Obama Administration’s Dept. of Ed., the negotiators were instructed to include certain consumer protections and incentives in the contracts. The current Administration reversed those guidelines, despite recent lawsuits against two of the largest servicers that alleged that they routinely failed to put borrowers in income-based plans and misapplied payments. With 1.4 trillion dollars in student debt and defaults continuing to increase, good servicing is vital.</p>
<p><b>Call to Action</b> Submit comments to Ed urging them to implement the 2014 rule and if not, to propose a strong rule that requires more than just mere disclosures. Programs that fail a simple debt-to-earnings test several years in a row should not continue to receive federal aid.</p>	<p><b>Call to Action</b> Send comments to the Department calling for a strong rule that protects students and ensures that defrauded students can easily access relief when warranted. The rule should also hold institutions accountable. One way to do this is to implement the 2016 rule and then work to increase its protections.</p>	<p><b>Call to Action</b> Demand that the Department incentivize high-touch, proactive servicing that avoids default and delinquency wherever possible and helps students enter affordable repayment plans. Urge state regulators to increase state servicing protections for borrowers. Call your Congressman and request that they support legislation that applies basic consumer protection principles to student loan servicers.</p>