

# House Higher Education Reauthorization Bill

## College Opportunity and Affordability Act of 2007

The Committee on Education and Labor in the U.S. House of Representatives finished amending and then voted unanimously, 45-0, to approve the "College Opportunity and Affordability Act" (H.R. 4137) and reauthorize the Higher Education Act (HEA), the major law governing federal aid to students and colleges. The bill would set federal higher-education policy for the next five years. The House committee bill accompanies the reauthorization bill passed by the Senate (S. 1642) in July 2007 and now heads to a floor vote in the full House sometime in December or January, with a House-Senate conference on both bills to follow later in January 2008. The bill makes several changes to federal student aid programs and aims to create a fairer system that will expand college access for all qualified students.

Prior to voting on the 750 page bill that demonstrates greater federal investment in higher education and includes new programs, requirements and funding for institutions, the committee adopted two additional amendments. The committee voted 24-16 to adopt an amendment creating a business/workforce partnership grant program to help colleges train students and the workforce in areas of local need. The committee also voted to adopt an amendment to create an appeals process for TRIO programs to appeal Department of Education decisions. In a press release, committee Chairman George Miller (D-CA) said, "Congress has already enacted legislation this year to provide an additional \$20 billion in financial aid for students and families over the next five years. This legislation will build on that effort by reducing or eliminating many of the obstacles that prevent fully qualified students from going to college."

The House bill includes provisions that would:

- restrict colleges' use of preferred-lender lists and place strict limits on what lenders and guarantee agencies may offer colleges and their employees to obtain their business.
- require institutions to disclose their policies on the transfer of credit
- make it easier for for-profit institutions to comply with a section of the law known as the "90-10 rule," which requires colleges to receive at least 10 percent of their revenue from sources other than federal student aid in order to participate in federal programs. The proposed bills would offer the institutions new ways to meet the 10-percent threshold.
- Address college costs by rewarding colleges that restrained their tuition growth, while punishing states that slashed their higher-education budgets by withholding their federal administrative funds.
- Address college accreditation by creating a federal ombudsman's position to oversee accreditation disputes.
- Require lenders to provide multiple disclosures to borrowers about the terms and conditions of their loans to help deal with the recent growth in private lending
- Require colleges to inform borrowers of their remaining eligibility for federal loans before providing them with information about private loans, and to clearly distinguish private student loans from other sources of financial aid in award materials.

Topics addressed in the bill:

- Student Achievement

Retains current law on student achievement. It no longer contains the language on institutional discretion to set student achievement standards and outcomes that is in the Senate bill. This language had assured that institutions retain their leadership role in setting their own standards for student achievement. This is a significant loss for all institutions. The ambiguity in current law, favored by the accreditors, has been a key factor enabling the Secretary of Education to press forward to set federal academic standards for institutions.

- Transfer of Credit

Requires accreditors to confirm that institutions have a transfer of credit policy, that the policy is published and that the policy includes the criteria used in considering transfer of credit from another institution.

- Public Information

Contains disclosure requirements and provisions that ask accreditors to make their award of accreditation, reaffirmation of accreditation and adverse actions (e.g., final denial, withdrawal, suspension or termination of accreditation) public. In contrast to current law, the bill has accreditors make public the official comments of an affected institution. In addition, the obligation on accreditors goes beyond making these disclosures "upon request," as in current law, to making them public, whether or not there are any requests.

- Due Process

Requires accreditors to establish and apply review procedures throughout the accrediting process, including evaluation and withdrawal proceedings which comply with due process procedures that provide for (1) adequate specification of requirements and deficiencies at the institution or program examined, (2) an opportunity for a written response to be included prior to final action, (3) upon the written request, an opportunity to appeal any adverse action, at a hearing prior to such action becoming final. In the event of an appeal, an appeals panel shall not include anyone who was on the underlying decision-making body that made an adverse decision; and that panel members are subject to a conflict of interest policy. The institution has the right to representation by counsel during an appeal.

- Distance Learning

Permits accreditors to address the quality of an institution's distance education offerings without a requirement to establish separate standards, procedures or policies for the evaluation of distance education. Accreditors must require institutions to establish that the student who registers for a distance education course or program is the same student who participates in and completes the program and receives the academic credit. In another part of the bill, institutions are required to report on distance learning offerings and enrollments.

- Religious Mission

Requires accreditors to "consistently apply and enforce standards the respect the stated mission of the institution of higher education, including religious missions.

- Federally Required Disclosures

Does not obligate accrediting organizations to review all federally required information that an institution must provide as part of an on-site evaluation.

- National Advisory Committee on Institutional Quality and Integrity

Retains the advisory committee but it calls for 17 rather than the current 15 members. The House bill calls for five members to be appointed by the Secretary, six to be appointed by the House of Representatives (three by the majority leader and three by the minority leader) and six to be appointed by the Senate (three by the majority leader and three by the minority leader). The House change would be effective January 1, 2009.

- Monitoring Enrollment Growth

Requests accreditors to monitor growth in institutions that are experiencing significant increases in enrollment.

- Accreditation Ombudsman

Establishes the office of accreditation ombudsman. The ombudsman will review and attempt to resolve complaints concerning the accreditation process from institutions, accreditation organizations and other participants in the accreditation process and within the Department of Education. In addition, the ombudsman will compile and analyze data on institutions and accrediting organization complaints.

- Role of Construction

Applies the "rule of construction," language that places limitations on the authority of the Secretary to issue additional regulations on student achievement and adds the rule with regard to transfer of credit and articulation agreements.

- Negotiated Rulemaking

Adds a requirement with regard to negotiated rulemaking (the process of consultation required of the Secretary before issuing new regulations in a number of areas, including accreditation.) The bill calls for nonfederal participants in rulemaking to be individuals with recognized legitimacy as representatives of major constituencies in higher education.

- Accreditation Process

Contains provisions that (1) require accreditors not to take an adverse action based on any undocumented or unpublished policy or practice and (2) require accreditors to put in writing a response to institutional comments on an accreditation determination.

- Articulation Agreements

Calls for a study of institutional articulation agreements by the Secretary and, by 2010, make these agreements publicly available on state and institutional Websites. The language also calls for encouraging articulation through, e.g., common course numbering or general education core

curriculum. Institutions are to provide a list of the institutions with which they have such agreements.

- Accrediting Standards for Students with Intellectual Disabilities

Calls for the creation of accreditation standards for higher education institutions that offer postsecondary programs for students with intellectual disabilities.

- Degree Mills

The major provisions included in the bill are a definition of a "diploma mill" and a task force to determine the characteristics of a "fraudulent degree-granting institution." The task force will develop a plan to protect the federal government against the use of diploma mill credentials to gain federal employment and may present additional legislation on degree mills for Congress to consider

Among other changes, the bill would:

### **Lender-College Relationships**

1. Require schools using preferred lenders lists to disclose to students and parents why they choose each lender on their preferred list and a notice informing them of their right to choose loan providers not included on the list. Schools would be prohibited from delaying loan certifications from lenders not on a school's preferred lender list. Federal student loan preferred lender lists would need to consist of three unaffiliated lenders while private lender lists would need to consist of only two unaffiliated lenders. Additionally the Department would be required to maintain a list of lenders that are affiliated with one another to be given to schools to assist them in developing their preferred lender lists.
2. Prohibit lenders on an institution's private loan preferred lender list from originating a loan until the institution has informed students about their eligibility for federal loans. The legislation would also prohibit lenders from using an institution's name or logo in a way that implies institutional endorsement.
3. Require institutions to develop codes of conduct to eliminate any conflicts of interest.
4. Prohibit gifts from lenders and other entities in the student loan industry to financial aid administrators or other institution employees that deal with student loans. The proposed legislation would also eliminate revenue sharing and consulting (including call centers staffed by lender employees) arrangements between lenders and institutions and opportunity loans provided in exchange for federal loan benefits to the lender.
5. Prohibit financial aid administrators from serving on lender advisory boards.
6. Require annual compliance training for college employees.

### **Student Loans**

Authorize a study of establishing a National Electronic Student Loan Marketplace for federal and private loans. The proposed marketplace would require lenders to provide advertised rates to borrowers and allow financial aid administrators and borrowers to comment about the quality of lenders' products and services. This marketplace would be similar to current student loan tools developed by private companies and would match students with loan products.

- Require lenders and other lending entities to provide loan information about alumni to institutions to prevent student loan default.
- Require consolidation loan providers to show how and why borrowers may lose certain loan benefits by consolidating.
- Provide \$2,000 a year for five years in loan forgiveness to those with careers in areas of national need, including:
  - early childhood educators, nurses, foreign language specialists, librarians, highly qualified teachers, child welfare workers, speech-language pathologists, national service, school counselors, public sector employees, nutrition professionals, medical specialists, mental health professionals
- Make nurses and other health care practitioners (not just doctors) working at licensed/regulated childcare, Head Start, and state-funded pre-kindergarten eligible for public service loan forgiveness.
- Provide \$10,000 a year for up to six years in loan repayment for prosecutors and public defenders who promise to work in their field for at least three years.
- Prevent penalty fees for prepayment on private loans.
- Require an evaluation of the pilot loan auction program.
- Make the Truth in Lending Act apply to all private education loans.
- Create a 30-day lock on interest rates and fees and a three-day remorse period for private loans wherein borrowers could back out of the loan.
- Require private loan providers to notify institutions about private education loans before disbursing funds.

## **Grants**

- Increase the authorized Pell Grant maximum level to \$9,000 (the actual Pell Grant maximum would continue to be set annually through the appropriations process).
- Provide year-round Pell Grants beginning July 1, 2009.
- Allow less than full-time students to be eligible for ACG/SMART Grant awards.
- Increase SEOG, Federal Work Study and Perkins allowances for books and supplies to \$600, up from \$450
- Create a \$5,000 a year scholarship program for family members of veterans and members of the military.
- Create the Patsy T. Mink Fellowship Program for highly qualified minorities and women in masters and doctoral degree programs in academic areas where women and minorities are underrepresented among college faculty.

## **College Costs**

- Require states to provide a minimum amount of financial support for higher education (more than the five-year average except under exceptional circumstances). The federal government would be able to withhold LEAP funding for states that do not provide the minimum financial support for public institutions.
- Create a Higher Education Price Index (HEPI) and place colleges that increase their tuition and fees at a higher rate than the HEPI on a watch list. Colleges that increase tuition and fees at a rate less than or equal to the HEPI would receive federal grants to use for need-based grants. Colleges on the watch list would be required to establish a quality-efficiency task force to

review the reasons for the increase. Lower-costing colleges that raise tuition and fees less than \$500 would be exempt from this provision.

- Require colleges to provide a net-price calculator to inform families about the average net-cost for each income quartile.
- Require colleges to clearly provide the cost of textbooks for each course.

### **Perkins Loans**

- Increase Perkins Loan annual limits from \$4,000 to \$5,500 for undergraduates and \$6,000 to \$8,000 for graduate students. Aggregate limits would increase from \$20,000 to \$27,500 for undergraduate students who have completed two years of a bachelor's degree, from \$40,000 to \$60,000 for graduate students, and from \$8,000 to \$11,000 for other students. The legislation would also allow loan rehabilitation after nine months of on-time payments (down from 12).
- Make full-time firefighters, full-time faculty at Tribal Colleges and Universities, librarians in areas of national need and full-time speech therapists eligible for Perkins loan cancellation.

### **FAFSA**

- Require the Department to work with the IRS to get income information from the IRS to simplify the FAFSA process.
- Require that the student aid application process be made simpler through the creation of an EZ FAFSA for low income students. The legislation also seeks to reduce the number of data elements on the FAFSA by 50 percent and would require the Secretary to report on the progress of that goal within two years. Students would be permitted to submit the FAFSA before October 15 of the year before they enroll.
- The Department would also be required to prepare a report on the "adequacy of the financial aid forms provided by the institutions to students and parents" to ensure they include certain information such as a student's cost of attendance, gift aid, loans, and other information required by the Department. The Department must also provide a "model format" for financial aid forms that schools could emulate.

### **Additional Study and Research**

- Require the Advisory Committee on Student Financial Assistance to look into early awareness programs and public-private partnerships that increase college awareness and the amount of need-based aid available to low and moderate income students.
- Require a study of how considering nonindividual factors (such as cohort default rate, accreditation, graduation rate) impact borrowers in the private loan underwriting process.