To amend the Higher Education Act of 1965 to provide for institutional ineligibility based on low cohort repayment rates and to require risk-sharing payments of institutions of higher education.

IN THE SENATE OF THE UNITED STATES

Mrs. Shaheen (for herself and Mr. Young) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend the Higher Education Act of 1965 to provide for institutional ineligibility based on low cohort repayment rates and to require risk-sharing payments of institutions of higher education.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 SECTION 1. SHORT TITLE.
4 This Act may be cited as the “Student Protection and
5 Success Act”.
SEC. 2. INSTITUTIONAL INELIGIBILITY BASED ON LOW COHORT REPAYMENT RATE.

(a) In General.—Section 455 of the Higher Education Act of 1965 (20 U.S.C. 1087e), as amended by the FAFSA Simplification Act (title VII of division FF of Public Law 116–260) and the FAFSA Simplification Act Technical Corrections Act (Public Law 117–103), is amended by adding at the end the following:

“(q) Ineligibility Due to Low Cohort Repayment Rate.—

“(1) In General.—Beginning with fiscal year 2027 and each succeeding fiscal year, an institution that has a cohort repayment rate that is equal to or less than 15 percent shall not be eligible to participate in a program under this part for such fiscal year and for the 2 succeeding fiscal years.

“(2) Appeals.—

“(A) In General.—An institution may appeal the loss of eligibility under this subsection to the Secretary within 30 days of receiving notification from the Secretary of the loss of eligibility under this subsection.

“(B) Continued Participation.—During an appeal under subparagraph (A), the Secretary may permit the institution to continue to participate in a program under this part if the
institution demonstrates to the satisfaction of
the Secretary that the Secretary’s calculation of
its cohort repayment rate is not accurate, and
that recalculation would increase its cohort re-
payment rate to be more than 15 percent.

“(C) REQUIRED PAYMENT.—If an institu-

tion continues to participate in a program
under this part, and the institution’s appeal of
the loss of eligibility is unsuccessful, the institu-
tion shall be required to pay to the Secretary an
amount equal to the amount of loans made by
the Secretary under this part to borrowers at-
tending, or planning to attend, that institution
during the pendency of such appeal and the in-
terest, special allowance, reinsurance, and any
related payments made by the Secretary (or
which the Secretary is obligated to make) with
respect to such loans.

“(3) COHORT REPAYMENT RATE.—

“(A) IN GENERAL.—In this subsection, the
term ‘cohort repayment rate’ means, for any
fiscal year beginning with fiscal year 2027—

“(i) in the case in which 30 or more
borrowers at the institution enter repay-
ment on Federal Direct Stafford Loans,
Federal Direct Unsubsidized Stafford Loans, Federal Direct PLUS Loans, or Federal Direct Consolidation Loans, received for attendance at the institution, the percentage of those borrowers who are not in default and who make at least a one dollar reduction on their initial student loan principal balance before the end of the second fiscal year following the fiscal year in which the borrowers entered repayment, except as provided in subparagraph (B); and

“(ii) in the case in which less than 30 borrowers at the institution enter repayment on Federal Direct Stafford Loans, Federal Direct Unsubsidized Stafford Loans, Federal Direct PLUS Loans, or Federal Direct Consolidation Loans, received for attendance at the institution, the percentage of those borrowers plus all of the borrowers at the institution who entered repayment on such loans (or on the portion of a loan made under section 428C that is used to repay any such loans) in the 3 fiscal years preceding the fiscal year
for which the determination is made, who
are not in default and who make at least
a one dollar reduction on their initial stu-
dent loan principal balance before the end
of the second fiscal year following the year
in which the borrowers entered repayment,
except as provided in subparagraph (B).

“(B) EXCEPTION.—The ‘cohort repayment
rate’ calculation under subparagraph (A) shall
not include in the calculation a borrower who
is—

“(i) in deferment on repayment of a
loan described in subparagraph (A) due to
study in an approved graduate fellowship
program or in an approved rehabilitation
training program for the disabled;

“(ii) in deferment on repayment of a
loan described in subparagraph (A) during
a period of at least half-time enrollment in
college or a career school;

“(iii) in deferment on repayment of a
loan described in subparagraph (A) during
a period of service qualifying for loan dis-
charge or cancellation under part E;
“(iv) in deferment on repayment of a loan described in subparagraph (A) due to active duty military service of the borrower during a war, military operation, or national emergency;

“(v) in deferment on repayment of a loan described in subparagraph (A) during the 13 months following the conclusion of qualifying active duty military service by the borrower, or until the borrower returns to enrollment on at least a half-time basis, whichever is earlier, if the borrower is a member of the National Guard or other reserve component of the Armed Forces and was called or ordered to active duty while enrolled at least half-time at an eligible school or within 6 months of having been enrolled at least half-time;

“(vi) in mandatory forbearance on repayment of a loan described in subparagraph (A) for the full fiscal year; or

“(vii) serving as a volunteer under the Peace Corps Act (22 U.S.C. 2501 et seq.) or the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4950 et seq.).
“(C) Publication of repayment rates.—The Secretary shall publish the cohort repayment rates for institutions determined under this subsection.

“(4) Notification.—Beginning with the first fiscal year for which data are available after the date of enactment of the Student Protection and Success Act and each succeeding fiscal year until fiscal year 2027, the Secretary shall notify each institution that has a cohort repayment rate that is equal to or less than 15 percent that the institution risks losing eligibility to participate in a program under this part.”.

(b) Ineligibility in Other Programs.—

(1) Pell grants.—The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), as amended by the FAFSA Simplification Act (title VII of division FF of Public Law 116–260) and the FAFSA Simplification Act Technical Corrections Act (Public Law 117–103), is amended in section 401(j)—

(A) in the heading, by striking “Based on Default Rates”;

(B) in paragraph (1), by inserting “until fiscal year 2027” after “succeeding fiscal year”;
(C) in paragraph (2), by inserting “or cohort repayment rate determination” after “default rate determination”; and

(D) by adding at the end the following:

“(3) Ineligibility based on low cohort repayment rates.—No institution of higher education shall be an eligible institution for purposes of this subpart if such institution of higher education is ineligible to participate in a program under part D due to a low cohort repayment rate, as determined under section 455(q).”.

(2) Student loan insurance program.—Section 435(a) of the Higher Education Act of 1965 (20 U.S.C. 1085(a)) is amended—

(A) in paragraph (2)—

(i) in the heading, by striking “BASED ON HIGH DEFAULT RATES”;

(ii) in subparagraph (A), by striking “An institution” and inserting “Until fiscal year 2027, an institution”; and

(iii) by adding at the end the following:

“(E) No institution of higher education shall be an eligible institution for purposes of this part if such institution of higher education is ineligible to
participate in a program under part D due to a low
cohort repayment rate, as determined under section
455(q).”; and

(B) in paragraph (6)(A), by inserting “and
until fiscal year 2027,” after “July 1, 1999,”.

(3) FEDERAL PERKINS LOANS.—Section 462 of
the Higher Education Act of 1965 (20 U.S.C.
1087bb) is amended—

(A) in subsection (a)—

(i) in paragraph (1), by inserting “or
the institution is ineligible to participate in
a program under part D due to a low co-
hort repayment rate, as determined under
section 455(q)” after “subsection (f)”;

(ii) in paragraph (2)(D), by inserting
“or the institution is ineligible to partici-
pate in a program under part D due to a
low cohort repayment rate, as determined
under section 455(q)” after “subsection
(f)”;

(B) in subsection (b)—

(i) in paragraph (2), by inserting “or
the institution is ineligible to participate in
a program under part D due to a low co-
hort repayment rate, as determined under section 455(q)” after “subsection (f)”;

(ii) in paragraph (3), by inserting “or the institution is ineligible to participate in a program under part D due to a low cohort repayment rate, as determined under section 455(q)” after “subsection (f)”;

(C) in subsection (e)—

(i) in paragraph (2), by inserting “until fiscal year 2027,” after “succeeding fiscal year”; and

(ii) in paragraph (3)—

(I) in subparagraph (A), by inserting “until fiscal year 2027,” after “any succeeding fiscal year”; and

(II) by adding at the end the following:

“(F) LOW COHORT REPAYMENT RATES.—An institution that is ineligible to participate in a program under part D due to a low cohort repayment rate, as determined under section 455(q), shall not be eligible to participate in a program under this part.”; and

(D) in subsection (f)(2), by inserting “until fiscal year 2027,” after “subsequent years”.

SEC. 3. COLLEGE OPPORTUNITY BONUS PROGRAM.

Subpart 1 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070a et seq.) is amended by adding at the end the following:

"SEC. 401B. COLLEGE OPPORTUNITY BONUS PROGRAM.

"(a) Program Authority.—

"(1) In general.—Beginning with fiscal year 2027 and each succeeding fiscal year, the Secretary shall award grants to eligible institutions of higher education that are distributed under a formula determined by the Secretary under subsection (d).

"(2) Eligible institution.—In this section, the term ‘eligible institution of higher education’ means an institution of higher education that has a cohort repayment rate (as defined in section 455(q)(3)) that is greater than 25 percent.

"(b) Grants.—The Secretary shall award grants to eligible institutions of higher education that the Secretary determines have a strong record of making college more affordable and increasing college access and success for low-income and moderate-income students.

"(c) Uses of funds.—Each eligible institution of higher education that receives a grant under this section may use the grant funds to support reforms to further increase college access and success for low- and moderate-income students, by making key investments and adopting
best practices, including by considering best practices reported under section 5 of the Student Protection and Success Act, and by—

“(1) awarding additional need-based financial aid to students enrolled at the institution who are eligible to receive a Federal Pell Grant;

“(2) enhancing academic and student support services; and

“(3) establishing or expanding accelerated learning opportunities.

“(d) AMOUNT OF GRANT FUNDS.—

“(1) IN GENERAL.—Each eligible institution of higher education that receives a grant under this section shall receive annual grant funds based on a formula determined by the Secretary that equally considers—

“(A) the number and percentage of students enrolled at the institution who are eligible to receive a Federal Pell Grant;

“(B) the cohort repayment rate (as defined in section 455(q)(3)) of students enrolled at the institution who are eligible to receive a Federal Pell Grant; and
“(C) the institution’s student service expenditures as a percentage of the institution’s student service resources.

“(2) CAP.—Each eligible institution of higher education that receives a grant under this section shall receive grant funds for a fiscal year in an amount that is not more than 2.5 percent of the amount equal to the eligible institution’s total annual revenues and investment returns less auxiliary enterprise revenues and hospital revenues, as defined in the IPEDS Finance Survey, for the most recent fiscal year upon which the eligible institution’s audited financial reports are available.

“(e) SUPPLEMENT NOT SUPPLANT.—Funds made available under this section shall be used to supplement, and not supplant—

“(1) other State funds that States would otherwise expend to carry out activities under this section to improve college affordability and graduate additional low- and moderate-income students; and

“(2) institutional funds that eligible institutions of higher education receiving a grant under this section would otherwise expend to carry out activities under this section to improve college affordability
and graduate additional low- and moderate-income students.

“(f) FUNDING.—The grant program under this section shall be funded only with risk-sharing payments received by the Secretary under section 454(d).”.

SEC. 4. RISK-SHARING PAYMENTS.

Section 454 of the Higher Education Act of 1964 (20 U.S.C. 1087d) is amended—

(1) in subsection (a)—

(A) in paragraph (5), by striking “and” after the semicolon;

(B) in paragraph (6), by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following:

“(7) provide that the institution accepts the institutional risk-sharing requirements under subsection (d), if applicable.”; and

(2) by adding at the end the following:

“(d) INSTITUTIONAL RISK-SHARING BASED ON COHORT NONREPAYMENT LOAN BALANCES.—

“(1) In general.—Beginning with fiscal year 2027 and each succeeding fiscal year, each institution of higher education participating in the direct student loan program under this part shall remit to the Secretary, at such times as the Secretary may
specify, a risk-sharing payment based on the cohort nonrepayment loan balance of the institution, as determined under paragraph (2).

“(2) DETERMINATION OF RISK-SHARING PAYMENTS.—

“(A) DETERMINATION OF COHORT LOAN BALANCE.—The cohort loan balance of an institution for a fiscal year equals the total principal amount of all loans made under this part to attend such institution for the cohort of borrowers who entered repayment, deferment, or forbearance on such loans in the third preceding fiscal year for which the determination is made.

“(B) DETERMINATION OF COHORT NON-REPAYMENT LOAN BALANCE.—

“(i) IN GENERAL.—The cohort non-repayment loan balance of an institution for a fiscal year equals, from the total amount of the loans described in subparagraph (A), the total loan balance of those borrowers who have not made at least a 1 dollar reduction in their principal balance in the 3 consecutive fiscal years since their
loans entered repayment, deferment, or forbearance.

“(ii) Exception.—The cohort non-repayment loan balance calculation under clause (i) shall not take into consideration a borrower who was—

“(I) in deferment on repayment of a loan described in subparagraph (A) in the 3 consecutive fiscal years described in clause (i) due to study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled;

“(II) in deferment on repayment of a loan described in subparagraph (A) in the 3 consecutive fiscal years described in clause (i) during which time the borrower was in a period of at least half-time enrollment in college or a career school;

“(III) in deferment on repayment of a loan described in subparagraph (A) in the 3 consecutive fiscal years described in clause (i) during which time the borrower was in a period of
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service qualifying for loan discharge
or cancellation under part E;

“(IV) in deferment on repayment
of a loan described in subparagraph
(A) in the 3 consecutive fiscal years
described in clause (i) during which
time the borrower was on active duty
military service during a war, military
operation, or national emergency;

“(V) in mandatory forbearance
on repayment of a loan described in
subparagraph (A) for the full fiscal
year; or

“(VI) serving as a volunteer
under the Peace Corps Act (22 U.S.C.
2501 et seq.) or the Domestic Volun-
teer Service Act of 1973 (42 U.S.C.
4950 et seq.), during the 3 consecu-
tive fiscal years described in clause
(i).

“(C) DETERMINATION OF PAYMENT.—
“(i) IN GENERAL.—

“(I) IN GENERAL.—Except as
provided in subclause (II), the risk-
sharing payment of an institution for
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a fiscal year equals 2 percent of the
amount determined under clause (ii).

“(II) CAP.—The risk-sharing
payment of an institution for a fiscal
year shall not be more than 2.5 per-
cent of the amount equal to the insti-
tution’s total annual revenues and in-
vestment returns less auxiliary enter-
prise revenues and hospital revenues,
as defined in the IPEDS Finance
Survey, for the most recent fiscal year
upon which the institution’s audited
financial reports are available.

“(ii) AMOUNT BASED ON COHORT
NONREPAYMENT LOAN BALANCE AND UN-
EMPLOYMENT RATE.—

“(I) IN GENERAL.—The amount
under this clause is determined by
subtracting the amount determined
under subclause (II) from the cohort
nonrepayment loan balance deter-
mined under subparagraph (B).

“(II) AMOUNT BASED ON UNEM-
PLOYMENT RATE.—The amount under
this subclause is determined by multi-
ploying the average national unemploy-
ment rate, as defined by the Bureau
of Labor Statistics, for the 3 previous
fiscal years from the date of the de-
termination by the cohort loan balance
determined under subparagraph (A).

“(3) Notification.—Beginning with the first
fiscal year for which data are available after the date
of enactment of the Student Protection and Success
Act and each succeeding fiscal year until fiscal year
2027, the Secretary shall notify each institution of
higher education participating in the direct student
loan program under this part of what the risk-shar-
ing payment based on the cohort nonrepayment loan
balance of the institution, as determined under para-
graph (2), would be for such institution if such pro-
vision were in effect.”.

**SEC. 5. REPORT.**

Not later than 6 months after the date of enactment
of the Student Protection and Success Act, the Secretary
of Education shall submit to Congress a report—

(1) on best practices for institutions of higher
education to improve repayment rates; and

(2) that makes recommendations on how insti-
tutions of higher education can improve repayment
rates, with a particular emphasis on institutions that serve a high proportion of low-income students.

SEC. 6. STUDENT SERVICE EXPENDITURES AND RESOURCES.

Section 153(a)(1)(I) of the Education Sciences Reform Act of 2002 (20 U.S.C. 9543(a)(1)(I)) is amended to read as follows:

“(I) the financing and management of education, including data on revenues and expenditures, and information regarding—

“(i) student service expenditures, that—

“(I) includes instruction, information technology, and other activities whose primary purpose is to contribute to students’ emotional and physical well-being and to their intellectual, cultural, and social development inside and outside the context of the formal instructional program; and

“(II) does not include expenditures on marketing, recruitment, or intercollegiate athletic programs;

“(ii) student service resources, which is a measure of an institution’s resources
that could reasonably be allocated towards student service expenditures, including net tuition revenues, State and local appropriations, endowment income, and revenues related to student housing and food services less expenditures on student housing, food services, and the operations and maintenance of a plant; and

“(iii) recruitment and marketing expenditures;”.

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