



## FACT SHEET: Student Aid and the PROSPER Act

Introduced in the U.S. House of Representatives in December 2017, [H.R. 4508](#), the Promoting Real Opportunity, Success and Prosperity through Education Reform (PROSPER) Act, is legislation to reauthorize the Higher Education Act. The University of California (UC) has significant concerns with the PROSPER Act in its current form. While UC supports changes to federal student aid programs that improve access, affordability and equity, the current version of the PROSPER Act would make sweeping changes that would negatively impact students at UC and across the country.

Below is a summary of the key federal student aid programs that would be negatively impacted should the PROSPER Act become law in its current form.

### Elimination of the in-school student loan subsidy

- Currently, for students who qualify, the Department of Education pays the interest on Direct Subsidized Loans while students are in school at least part-time; this is known as the in-school student loan subsidy.
- By eliminating the in-school student loan subsidy – as proposed by the PROSPER Act's One Loan program – each year, 72,000 UC undergraduate students would be affected, adding an estimated \$70 million in student loan debt for each cohort of new UC bachelor's degree recipients.

### Exclusion of mandatory inflation adjustment for Pell Grants

- The Federal Pell Grant program provides need-based grants to low-income students. They are a fundamental component of the network of federal, state and institutional aid that UC students receive.
- At UC, more than 82,000 students – nearly 40 percent of all undergraduates – receive Pell Grants, the highest percentage of Pell Grant recipients of any top research university in the country.
- Over time, the value of Pell has decreased substantially. In 1975, Pell Grants covered 79 percent of the cost of higher education – today, Pell covers just 29 percent, the lowest level in more than 40 years.
- Losing mandatory inflation adjustments for Pell Grants will further erode its value.

### Changes to the Federal Work-Study formula

- Federal Work-Study allows students with demonstrated financial need to work part-time and earn money to help pay for costs associated with their education.
- Changes proposed to the Federal Work-Study formula in the PROSPER Act will have a negative impact on institutions of higher education, including most of the UC campuses, by further spreading scarce fiscal resources to the already under-funded Work-Study program.
- In 2016-17 academic year, more than 12,400 UC undergraduates received nearly \$23 million in Federal Work-Study funds.

- By reducing the funding for Federal Work-Study and similar campus-based financial aid programs, students will need to find alternative funding sources, such as loans. Further, if these students do not have access to federal loans because they have reached their annual or aggregate caps, they would be forced to seek out private loans, which do not offer the same consumer protections, and often have much higher interest rates.

### **Elimination of graduate student eligibility for the Federal Work-Study program**

- Eliminating graduate student participation in the Federal Work-Study program further harms the neediest portion of the university's graduate student population.
- In 2016-17 academic year, almost 800 UC graduate students earned \$3 million through Federal Work-Study.

### **Elimination of the Supplemental Educational Opportunity Grant (SEOG) program**

- Programs such as SEOG deliver additional assistance to students with exceptional need who have exhausted most other sources of federal aid.
- In the 2016-17 academic year, this grant program provided \$10.7 million to 14,500 of UC's neediest students. The average grant disbursed was \$773.

### **The Federal Perkins Loan Program**

- Perkins loans are low-interest federal student loans for students with demonstrated exceptional financial need.
- Perkins loans provided \$36.2 million to 21,400 of UC's neediest students during the 2014-15 school year, which was the last year before restrictions were placed on making new Perkins awards. The average loan disbursed was \$1,658.
- Over the past 15 years, UC has disbursed 156,000 Perkins loans totaling \$385 million. UC has also cancelled Perkins loans for 33,624 borrowers who have completed their public service commitments, totaling \$41 million.
- If this program were to completely end, UC seeks to ensure that the university is made whole regarding loan cancellations, and that it can continue to service and honor outstanding loans disbursed by the program. UC estimates that it would cost an additional \$5.8 million to service the remaining loan portfolio through repayment.

### **Loan forgiveness programs for those employed in public service**

- Many students choose public service professions such as teaching and social work in order to serve low-income communities.
- Any proposed Higher Education Act reauthorization package should encourage students to share their talents and help lift the prospects of the next generation of students, while providing incentives to pursue careers in public service.
- While the university does not have access to information on the number of UC students who take advantage of loan forgiveness programs for federally administered loans, the university has forgiven a cumulative total of \$15.9 million in loans for teachers from the university's Perkins loan program.