UNCF
A mind is a terrible thing to waste®

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Representative Virginia Foxx
Chair
Committee on Education and Workforce
2176 Rayburn House Office Building
Washington, DC 20515

Representative Bobby Scott
Ranking Member
Committee on Education and Workforce
2101 Rayburn House Office Building
Washington, DC 20515

Representative Brett Guthrie
Chair
Higher Education Subcommittee
2434 Rayburn Building
Washington, DC 20515

Representative Susan Davis
Ranking Member
Higher Education Subcommittee
1214 Rayburn Building
Washington, DC 20515

Dear Chairs Foxx and Guthrie and Ranking Members Scott and Davis:

On behalf of the UNCF (United Negro College Fund), I write to provide our preliminary views on the *Promoting Real Opportunity, Success, and Prosperity through Education Reform Act* – PROSPER Act. UNCF's views are informed by our 73-year history of raising over $4.6 billion to support our 37-member historically black colleges and universities (HBCUs) and talented minority students who would not be able to earn college degrees without UNCF scholarships and federal financial aid. Today, UNCF supports more than 60,000 students at over 1,100 colleges and universities, including HBCUs.

While college degrees have become more essential and more expensive than ever, too many minority and low-income students remain closed out of the college degree that they need and that the nation needs them to have. UNCF believes that a guiding principle – and top priority – for this reauthorization of the Higher Education Act (HEA) must be to make postsecondary education access and success a reality for these students.

UNCF's statement upon introduction of the PROSPER Act noted that the bill is a first step toward the reforms that the nation must make to ensure that every student has a successful journey from high school to college and career. We want to acknowledge several proposals in the bill that UNCF supports. These include provisions that would: provide information about student financial aid eligibility to secondary students earlier to increase their motivation and preparation for college; reduce the complexity of the federal student aid eligibility process, which prevents millions of financially-needy students from accessing federal college assistance; authorize extra Pell Grant funds to incentivize students to graduate in four years; expand needed work-study opportunities for low-income students; and streamline the current complicated maze of income-based loan repayment plans to help borrowers better manage their student loan debt. These provisions are a positive beginning.

Nonetheless, while there are aspects of the PROSPER Act that UNCF supports, we remain deeply concerned that the bill falls far short of enabling college success for the minority and low-income students who can help our country compete and win in the global economy. On balance, the PROSPER Act would cause minority and low-income students to pay more to earn their college degrees at a time when they should pay less. In addition, we are concerned that one theme of the bill is to highlight short-term training options, when a four-year college degree has a substantially greater payoff, in general, with higher lifetime earnings and lower unemployment – and this payoff may be the greatest for minority and low-income students. Further, a significant shortcoming of the bill is that it fails to make any new investment in HBCUs which pull above their weight in producing African American college graduates and, worse, it cuts the current federal investment in these institutions.

Additional details follow regarding these issues.

HBCUs

The PROSPER Act disinvests in HBCUs despite their positive contributions to the country. HBCUs have a strong value proposition – producing skilled graduates for employers and bolstering their local and regional economies – as documented in a new landmark study released by UNCF, *HBCUs Make America Strong: The Positive Economic Impact of Historically Black Colleges and Universities*.

Title III of the HEA provides foundational institutional support for HBCUs and other Minority-Serving Institutions (MSIs). This support enables these under-resourced institutions to strengthen academic programs, provide support services and technology that help ensure that minority students succeed, and improve financial and administrative operations.

The PROSPER Act discontinues (after fiscal year 2019) an essential federal investment in HBCUs of $85 million annually that has helped these institutions to become leading producers of African Americans with degrees in high-demand science, technology, engineering, and mathematics (STEM) fields. Discontinuing the Title III mandatory funds would be a severe blow to the 101 HBCUs that receive this assistance and would necessitate crippling cutbacks in academic programs. Extending Title III mandatory funding through fiscal year 2024 is UNCF's top priority for the bill.

Also troubling are provisions that cut the Title III Strengthening HBCUs Program (section 323) discretionary funding authorization from $375 million to $245 million and freeze the authorization at this reduced level for six years. A six-year funding freeze is a cut in real terms after inflation and would hamper the ability of HBCUs to keep pace with rapid change in higher education, maximize technology to deliver new modes of learning for students, and make strategic investments in industry-relevant educational programs.

In addition, we are disappointed that the bill does not include the HBCU Innovation Fund recommended by UNCF, and included in H.R. 4857 in the 114th Congress. While innovation is a theme of the PROSPER Act, it does not recognize that establishing an HBCU Innovation Fund would provide new federal venture capital, on a competitive basis to HBCUs, so that they can develop, validate, and scale innovative solutions to college completion, teacher diversity, STEM, and other national needs.

UNCF appreciates the bill's recognition that HBCUs have a unique designation in the HEA and, thus, the bill's new completion rate requirements do not apply to HBCUs. Nevertheless, we encourage the re-examination of these requirements for other MSIs, which deserve more resources, not fewer, to enhance performance.

Pell Grants and Supplemental Educational Opportunity Grants

While UNCF supports a $300 Pell Grant bonus per academic year to help students finish their degrees faster, we are disappointed that the PROSPER Act fails to put Pell Grants on a path to covering more college costs for the nearly eight million students who rely on these grants annually. The maximum Pell Grant for the 2017 award year is $5,920, only 32 percent of the average cost of attendance for a bachelor's degree at a four-year public college and only 13 percent at a four-year private, nonprofit college. At a minimum, the PROSPER Act should extend automatic indexing of the maximum Pell award to offset inflation and there are many other program enhancements, such as "second chance" Pell Grants, that could be made. (For more information on UNCF's recommendations for Pell Grants, see: UNCF Public Policy Priorities for the Trump Administration and the 115th Congress.)

The elimination of Supplemental Educational Opportunity Grants (SEOGs), averaging $600 per student, will mean a net cut in federal grant aid to exceptionally needy Pell students and could force them to incur additional loan debt as many of these students already work. Approximately 55,000 students at HBCUs rely on SEOGs to pay their college bills. Even relatively small amounts of assistance can determine whether a low-income student is a college dropout or a college completer.

Student Loans

Low-income students, and particularly those who are African American, already shoulder heavy student loan debt. Students at HBCUs, primarily African American, borrow at a greatly higher rate than students at non-HBCUs (80 percent vs. 55 percent) and in amounts nearly double that of their non-HBCU peers. (See, UNCF's *Fewer Resources, More Debt: Loan Debt Burdens Students at Historically Black Colleges and Universities*.)

UNCF is pleased that the PROSPER Act eliminates student loan origination fees that make federal student loans costlier for borrowers. Nevertheless, we are deeply concerned that the bill eliminates *subsidized* federal student loans (i.e., the in-school interest subsidy) for low-income students. Preliminary analysis by the American Council on Education indicates that the net impact of these two changes will result in low-income students paying more.

While the PROSPER Act includes other provisions to make it easier for borrowers to repay their loans based on their incomes and establishes a cap on total loan principal and interest paid regardless of the type of repayment plan, the bill also eliminates any loan forgiveness – even after 25 years of repayment. The no-loan-forgiveness policy, including for borrowers who enter public service occupations, is likely to fall harder on African American students who are more likely to go into teaching, human services, and other public service fields.

The intersection of the student loan, loan repayment, and loan forgiveness provisions of the PROSPER Act require greater scrutiny so that the potential consequences and impacts on minority and low-income students are better understood.

PLUS Loans

UNCF appreciates the reauthorization of Graduate PLUS Loans and Parent PLUS Loans, which provide unsubsidized loans to graduate students and parents of dependent undergraduates to help meet college expenses after other sources. Today, approximately 39,000 students at HBCUs – 15 percent of all HBCU undergraduates – depend upon Parent PLUS Loans to meet their college expenses, and approximately 8,600 HBCU students – 23 percent of all HBCU graduate students – receive Graduate PLUS Loans to help them finance advanced studies.

UNCF believes that the PLUS Loan provisions in the PROSPER Act are reasonable reforms to the program. In particular, we support the elimination of loan origination fees and the new requirement that all parent borrowers receive counseling so that they fully understand their repayment obligations prior to taking out a loan. However, we encourage consideration of additional reforms to improve the program. Parent PLUS Loan interest rates – capped at 10.5 percent – remain too high, generating profits for the government on the backs of families struggling to pay for college. In addition, UNCF believes that parent borrowers should have an accessible income-based repayment option to enable them to better manage their loan debt.

Institutional Risk-Sharing

UNCF believes that provisions in the PROSPER Act aimed at requiring institutions to share in the risk of federal student aid – such as the program loan repayment rate and return to Title IV provisions – will have unintended, negative consequences and should be revisited. Our primary concern is that such provisions introduce a perverse incentive into the postsecondary education system to turn away at-risk students to minimize financial consequences, and they penalize HBCUs and other institutions whose mission is to educate such students. In our view, incentive-based approaches would drive more positive change than ones focused on financial penalties that will lead some institutions to restrict admissions only to students most likely to succeed.

UNCF looks forward to working with you and other members of the Committee on Education and the Workforce to strengthen the PROSPER Act as Congress moves forward on the HEA reauthorization. Due to the importance, magnitude, and scope of the HEA, we encourage you to work with the higher education community, including holding additional hearings, to obtain additional input before moving the PROSPER Act to the full Committee and the House floor.

Thank you for your consideration.

Sincerely,

Michael L. Lomax, Ph.D.
President and CEO

cc: Members of the House Committee on Education and the Workforce