Fact Sheet
COMMITTEE ON EDUCATION & THE WORKFORCE DEMOCRATS
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The Hon. Bobby Scott • Ranking Member

The GOP War on Students: Risk-Sharing and How It Impacts Equity

H.R. 4508's approach to risk-sharing makes campuses responsible for student outcomes by increasing their level of responsibility for returning financial aid when a student does not complete the semester. To accomplish this, the bill makes the following amendments:

CURRENT LAW	H.R. 4508
Institutes of Higher Education (IHE) repay a prorated amount of a student's Title IV aid to the Department if the student withdraws before the 60 percent point and nothing if the student completes over 60 percent.	IHEs return 100 percent of aid if a student leaves during the first quarter of the semester; 75 percent in the second quarter; 50 percent in the third quarter; and 25 percent in the last quarter.
IHEs may pass along a portion of the cost of repaid aid to students.	Institutions could reclaim a maximum of 10 percent of the aid they return from students.
Returned aid is applied to a student's loans first, then grants, reducing total debt.	Returned aid would be applied to grants first, potentially restoring Pell eligibility but increasing total debt.
IHEs must offer students the option to receive remaining loan funds for the term.	IHEs can set their own policies regarding whether to release all, some, or none of a student's remaining federal loans. The Secretary shall withhold all post-withdrawal loan disbursements.
Aid is disbursed at the start of the semester.	Aid is disbursed in "substantially equal" weekly or monthly installments, except that IHEs can adjust for unequal costs (e.g. more aid upfront to cover tuition and fees).

H.R. 4508 would --

- **Cause administrative and financial burdens for under-resourced institutions** by requiring them to disburse aid over the course of the semester and return more Title IV aid to the federal government.
    - It is difficult to anticipate the exact impact due to a lack of data on withdrawals.
    - Two-year institutions and public institutions would likely be hit the hardest.

- **Lead under-resourced institutions to recoup lost revenue by raising tuition or reducing quality**, while IHEs with available resources may be incentivized to start or expand programs to increase retention. This dynamic demonstrates the vital importance providing resources to support institutional improvement when establishing and raising accountability standards.

- **Incentivize IHEs to enroll students who are most likely to complete**, thus limiting access among low-income, minority, adult, and part-time students.
    - Black, Hispanic, part-time, and adult students are less likely to persist past the first year of enrollment. First-year persistence is especially low among Black students at community colleges (55.1 percent) and students over the age of 24 (52.7 percent).
    - Within 3 years of enrolling, Black, Native, part-time and older students are less likely to persist at both 2- and 4-year institutions, while Hispanic students and those with lower SAT/ACT scores are less likely to persist at 4-year institutions.
    - Ed Trust's analysis of 2003-2004 BPS cohort data found that 42 percent of students in the bottom income quintile left college and did not return by 2008-2009, compared to 34 percent of students in the middle two quartiles and 31percent of students in the highest quartile.

- **Heighten the risk of financial crisis and homelessness among students who drop out** by giving institutions the discretion to refuse to provide financial aid payments after a student withdraws. Doing so could create severe financial challenges, including the potential loss of housing, especially for lowest-income students.
    - Nearly one-third of students who entered college in 2003-2004 and left without completing a program said that financial reasons led them to leave college. Hispanic students and students of two or more races were more likely to cite financial reasons than their peers.
    - A survey of over 33,000 students at 70 community colleges found that 51 percent of respondents experienced housing insecurity within the past 12 months, 14 percent had experienced homelessness within the past 12 months, and 68 percent experienced food insecurity within the past 30 days. About one-third of housing insecure and homeless students reported using student loans to pay for college, compared to just 19 percent of housing secure students at community colleges.

- **Make an already bad problem in higher education worse** by applying returned Title IV aid to grants before loans and allowing institutions to charge students as much as 10 percent of returned aid. Students who leave college without a degree struggle to repay their loans, HEA should not exasperate this problem.
    - More than half of students who entered college in 2003-2004, never attained a degree, and are no longer enrolled were either in deferment or had defaulted 12 years after enrollment. This is compared to 35.4 percent of associate's degree holders and 19.8% of bachelor's degree holders.

- **Prevent students who cannot afford to pay for college from reenrolling.** Charging students a penalty for withdrawing has minimal benefits for institutions but massive harm to at-risk students and their ability to complete.
    - When IHEs pass the cost of returned aid onto students, the outstanding balance frequently results in a registration holds being placed on the students' accounts. This keeps students from returning to college, completing their degrees, and, ultimately, paying back their loans.
    - Given that IHEs would hold more of a student's allocated aid for living expenses further into the semester, it is unclear why institutions would need to reclaim any returned aid, much less 10 percent from students.