



December 11, 2017

The Honorable Virginia Foxx  
Chairwoman  
U.S. House Committee on Education  
and the Workforce  
2176 Rayburn House Office Building  
Washington DC, 20515

The Honorable Robert C. “Bobby” Scott  
Ranking Member  
U.S. House Committee on Education  
and the Workforce  
2176 Rayburn House Office Building  
Washington DC, 20515

Dear Chair Virginia Foxx and Ranking Member Robert C. “Bobby” Scott:

On behalf of Americans for Financial Reform, we are writing to express our opposition to H.R. 4508, the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act.<sup>1</sup>

The reauthorization of the Higher Education Act should be a real opportunity to help students; instead, the PROSPER Act makes their lives worse in nearly every aspect. It raises repayment costs for struggling borrowers, lets institutions that scam students off the hook, and narrows relief for defrauded students.

At a time when outstanding student debt has surpassed \$1.45 trillion, the PROSPER Act would exacerbate the problem even further. The bill eliminates the \$0 per month payment that the lowest income borrowers qualify for in certain income-driven repayment plans. The Consumer Financial Protection Bureau has found that there are over 8 million borrowers in default on their student loans -- this change that would push even more borrowers into default.<sup>2</sup> This isn't the only swipe the bill takes at vulnerable borrowers. According to the National Consumer Law Center, the changes the bill makes to Income Based Repayment would mean it could take a low-income borrower with just \$30,000 in student loan debt an incredible 138 years to repay their student loans.<sup>3</sup> The bill also takes direct aim at those who've committed their careers to public service, by eliminating the Public Service Loan Forgiveness program, which forgives federal loans after 10 years for those who pursue work in emergency services, public education, social work, or other public sector jobs.

We also strongly oppose the PROSPER Act's repeal of the Obama-era “gainful employment” rule, which denies federal financial aid dollars to schools that consistently leave students worse off. Elimination of gainful employment would mean that schools continue to use taxpayer dollars no matter how bad the outcomes for its students are. The PROSPER Act also rolls back a measure meant to ensure that for-profit schools are worth the tuition they charge. The 90-10 rule requires that for-profit colleges receive at least 10 percent of their revenue from a source other than federal student loans. Instead of making the rule

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<sup>1</sup> Americans for Financial Reform is an unprecedented coalition of more than 200 national, state and local groups who have come together to reform the financial industry. Members of our coalition include consumer, civil rights, investor, retiree, community, labor, faith based and business groups. A list of AFR members is available at <http://ourfinancialsecurity.org/about/our-coalition/>.

<sup>2</sup> <https://www.consumerfinance.gov/about-us/blog/new-data-documents-disturbing-cycle-defaults-struggling-student-loan-borrowers/>

<sup>3</sup> <https://www.nclc.org/media-center/house-edu-bill-ends-student-protections-lifetime-debt.html>

stronger (as student and consumer advocates have been asking for years), this bill eviscerates this simple protection altogether, paving the way to hand over even more taxpayer money to for-profit institutions with no questions asked.<sup>4</sup>

H.R. 4508 also fails to increase the maximum Pell Grant award for low-income students, and changes how they are paid out to students who receive them. And, at a time when the student parent population is growing and the cost of childcare continues to be out of reach for many working families and student parents, the bill does nothing to increase investments to provide on-campus childcare.<sup>5</sup>

But perhaps the most dangerous part of this legislation is the way it treats students who were defrauded by predatory schools. Two giant for-profit colleges, Corinthian and ITT, have collapsed in the last few years, and both schools faced numerous lawsuits and investigations for misrepresentation of job placement rates and other abuses. A decades-old rule known as borrower defense to repayment dictates that, if your school breaks certain laws, you're entitled to a cancellation of your federal student loans. Nearly 100,000 former students of Corinthian, ITT and other institutions have pursued this right to cancellation, but the Department of Education continues to sit on their applications.<sup>6</sup> In the meantime, their lives remain on hold, with ruined credit and no job prospects, because employers see Corinthian and ITT as a stain, not a boon, on a resume.

Against this backdrop, Congress should be working to expedite relief; instead, the PROSPER Act would narrow these former students' options even further. This bill puts new and senseless limits on this relief by denying any help to scammed students who did not individually apply for a discharge within three years of when the misconduct by the school occurred — not when it's uncovered. Many students don't know until long after graduation (often following a slew of rejections by employers) that their education was worthless, let alone that the schools had even committed misconduct or that they're eligible for loan cancellation. The PROSPER Act makes no allowances for these victims, even as it rolls out the red carpet for the types of schools that commit the sorts of abuses that would make students eligible for relief.

For-profit colleges leave far too many students worse off than when they started taking out loans and reporting to class. Congress had the power to change that with this bill. Instead, the PROSPER Act turns its back on students to favor the corporate interests who abuse the federal financial aid system in which taxpayers invest in and on which millions of students rely. We oppose this legislation, and urge all members of the Committee to vote no.

Sincerely,

Americans for Financial Reform

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<sup>4</sup> [https://ticas.org/sites/default/files/pub\\_files/90-10\\_qa\\_march\\_18\\_2015.pdf](https://ticas.org/sites/default/files/pub_files/90-10_qa_march_18_2015.pdf)

<sup>5</sup> <http://www.epi.org/publication/child-care-affordability/>

<sup>6</sup> <https://www.insidehighered.com/quicktakes/2017/11/15/democrats-seek-full-relief-defrauded-borrowers>