



# PROPOSALS TO REFORM THE HIGHER EDUCATION ACT

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## Overview

The last century has produced an American economy where more jobs than ever before require at least some postsecondary education or skill development.<sup>1</sup> Wage premiums and job security continue to be associated with postsecondary education or skills attainment; however, the rising cost of college education and the accompanying growth in student loan balances erode the wage premium associated with a college degree. It is therefore the policy of the Trump Administration to increase access to affordable, flexible, and innovative postsecondary education and skills attainment to meet the interests and lifelong learning needs of every American.

Unfortunately, many colleges and universities have been unable or unwilling to provide the necessary types of education in a cost-effective manner. American student loan debt is now approaching \$1.5 trillion, an increase of more than 350 percent since 2003. Student loan debt exceeds what Americans owe in credit card debt, auto loans, or home equity loans.<sup>2</sup> Recent studies have found that close to 30 percent of student borrowers eventually default on their loans.<sup>3</sup> An even higher share of student borrowers face student loan balances that increase despite making monthly payments; only 24 percent of outstanding Federal student loans are in a repayment status that is paying down both principal and interest.<sup>4</sup> Almost 40 percent of those who started college in 2004 are projected to default on their student loans by 2023.<sup>5</sup>

The Trump Administration continues to reverse harmful regulatory initiatives that increased the cost of college, fueled skyrocketing student debt levels, and hampered innovation. We are taking action to provide students, families, and working Americans better and clearer information; encourage innovation and reduce college cost; ensure that students of faith are able to attend schools that reflect their values; and require that institutions live up to their promises regarding campus free speech.

The Trump Administration is committed to reforming higher education through legislation and regulatory reforms that provide more Americans access to a quality education, hold institutions accountable, and help students and families make informed decisions regarding their educational options.

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<sup>1</sup> Carnevale et al., “Recovery,” 2013

<sup>2</sup> Federal Reserve Bank of New York, Household Debt and Credit Report, Q3 2018: <https://www.newyorkfed.org/microeconomics/hhdc.html>

<sup>3</sup> Scott-Clayton, Judith. “The Looming Student Loan Default Crisis is Worse Than we Thought,” Brookings Institution Evidence Speaks Reports, January 2018: <https://www.brookings.edu/wp-content/uploads/2018/01/scott-clayton-report.pdf>

<sup>4</sup> Secretary Betsy DeVos, “Remarks to Federal Student Aid’s Training Conference” November, 2018: <https://www.ed.gov/news/speeches/prepared-remarks-us-secretary-education-betsy-devos-federal-student-aids-training-conference>

<sup>5</sup> Scott-Clayton.

## Higher Education Reform Principles

- **Reorient the Accreditation Process to Focus on Student Outcomes** – Accrediting agencies act as gatekeepers of Federal student aid. These agencies, together with their member institutions, develop the standards and criteria used to determine what constitutes “quality” in higher education and to ensure that students have the opportunity to achieve their educational goals. The Federal Government and the public rely on accreditation as a signal that institutions meet a minimum standard of quality and that Federal funds flow only to credible, legitimate, and quality institutions that pass the muster of accreditor peer review. Unfortunately accreditors have shifted from their core purpose to a more compliance-focused role that stifles innovation and mandates a one-size-fits-all, process-focused approach rather than student outcomes. Accreditors must return to their primary purpose of ensuring educational quality, while the Department of Education refrains from interfering in academic matters.
- Congress should streamline the ten standards of accreditation to focus on educational quality and student learning, grounded in student outcomes. A less burdensome accreditation process focused on student outcomes can reduce costs and ensure useful feedback about institutional quality.
  - Congress should eliminate the archaic distinction between accreditors with a geographic scope and those with a mission-based scope. Mission, not geography, defines academic institutions. Likewise, accreditors today operate nationally and should be defined by the academic mission of the institutions that they accredit. While the Department of Education should hold all accreditors to the same standard, a nationally competitive, mission-driven system will allow for increased differentiation between institutions and accrediting bodies, providing useful information to consumers.
- **Increase Innovation in the Education Marketplace** – Across every sector of the economy, American businesses develop new and innovative methods to provide goods and services in more and more cost-effective manners. This spirit of innovation drives the strength of the American economy and labor market. Yet, the higher education system has been slow to adapt to the changing nature of work. Millions of jobs remain unfilled in part due to a lack of Americans with appropriate skills. To address these challenges and prepare Americans for the jobs of the future, the Administration proposes policies that challenge higher education to embrace innovation and competition, while protecting students, parents, and taxpayers.
- Congress should establish a pilot program to increase access to market-driven workforce development programs. More than half of current students are classified as “nontraditional,” yet many institutions of higher education have not adequately addressed their unique needs. Non-traditional students interested in accelerated paths to careers should have access to innovative providers who can more effectively meet their needs. By offering options that look to the private

sector for risk mitigation, we can both protect taxpayers and help more Americans use education as a ladder to achieve the American dream.

- **Better Align Education to the Needs of Today's Workforce** – The labor market demands of the 21<sup>st</sup> century are driving more Americans than ever before to enroll in postsecondary education. Federal program requirements should encourage, rather than limit, partnerships between higher education providers and employers. Employers are most aware of the skills needed to succeed in the workplace. Moreover, there is no better place to learn these skills than on the job, through apprenticeships, work-based learning, and career pathways.
  - Congress should expand Pell Grant eligibility to include high-quality, short-term programs that provide students with a credential, certification, or license in a high-demand field. Expanding Pell Grants eligibility to these programs will help more Americans access programs that provide them with the skills needed to secure well-paying jobs in high-demand fields more quickly than traditional 2-year or 4-year degree programs.
  - Congress should reform the Federal Work Study (FWS) program to support workforce and career-oriented opportunities for low income undergraduate students, not just subsidized employment as a means of financial aid. Work-based learning improves students' chances of developing important workplace skills and getting good jobs, yet the FWS rules favor campus-based jobs that do little to help low-income students get work experience that increases their chances of landing a higher paying job upon graduation.
  
- **Increase Institutional Accountability** – Investing in higher education generally provides strong value for students and taxpayers; however, some institutions consistently fail to deliver the type of quality education that enables students successfully to repay Federal student loans, leaving borrowers and taxpayers to foot the bill. A better system would require postsecondary institutions that accept taxpayer funds to share in the financial responsibility associated with student loans. The Administration plans to work with Congress to address this issue.
  
- **Accelerate Program Completion** – One of the most effective ways to reduce student debt is to help students complete their educations more quickly. The nature of the Federal Student Aid program, however, discourages accelerated learning pathways, and it allows institutions to charge students to repeat courses previously taken at another institution or to “learn” in a classroom what they already know based on prior work, military, or educational experience.
  - Congress should require that, as part of any financial aid award letter, institutions identify policies regarding the acceptance of prior learning assessments (PLAs) and the availability of aid to cover PLA costs.

- **Support Historically Black Colleges and Universities** – Historically black colleges and universities (HBCUs) have made, and continue to make, extraordinary contributions to the general welfare and prosperity of our country. The Nation’s more than 100 HBCUs serve more than 300,000 undergraduate, graduate, and professional students. These institutions are important engines of economic growth and public service, and they are proven ladders of intergenerational advancement. Through the President’s Board of Advisors on Historically Black Colleges and Universities, the Administration continues to recognize the importance of these institutions to advancing America’s full human potential, strengthen the abilities of HBCUs to equitably participate in Federal programs, and foster public-private partnerships with HBCUs.
- Congress should make permanent the President’s Board of Advisors on Historically Black Colleges and Universities and the Interagency Working Group responsible for improving the capacity of HBCU’s to continually improve the identity, visibility, distinctive capacity, and overall competitiveness of HBCUs.
- **Encourage Responsible Borrowing** – Research shows a correlation between the availability of Federal student aid and tuition increases.<sup>6</sup> The current system provides institutions of higher education with few incentives to control costs and saddles parents and graduate students with debt with little attention to borrowers’ likely ability to repay. To address rising debt, the Administration proposes establishing common-sense limits on Federal student loans, as well as improved guidance to students regarding their likely ability to fulfill repayment obligation.
- Congress should institute Parent and Grad PLUS loan limits.
  - Congress should provide financial aid administrators with the information and authority to help students limit and manage their student loan borrowing.
  - Congress should require institutions to provide more regular, effective financial aid counseling.
- **Simplify Student Aid** – The current student loan system burdens students with debt and taxpayers with uncertainty about future costs. Under current law, many students have difficulty understanding and selecting the best repayment plan for their financial situation.
- Congress should consolidate the five income-driven repayment options into one simple plan that caps monthly payment at 12.5 percent of a borrower’s discretionary income.
  - Congress should extend loan forgiveness to *all* undergraduate students (after 180 months of repayment through an income-driven repayment plan). This would support *all* American students – pursuing any career – and eliminate the biases

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<sup>6</sup> Luca et. al. "Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs," Federal Reserve Bank of New York Staff Reports, July 2015:

[https://www.newyorkfed.org/medialibrary/media/research/staff\\_reports/sr733.pdf](https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr733.pdf)

and administrative complications of the “Public Service Loan Forgiveness” program.

- Congress should allow the Department of Treasury, with the consent of a borrower, to automatically provide the Department of Education with income tax data for use in the application, renewal, and administration of Federal student aid programs and income-driven repayment plans, as well as for conducting analyses and forecasts for estimating costs related to income-driven repayment plans.

→ **Support Returning Citizens** – Today, one in three American adults has some type of criminal record, and more than two million Americans are in prisons across the country.<sup>7</sup> More than 95 percent of these prisoners will eventually leave prison and face the challenge of re-establishing themselves in their homes and communities. The United States needs to do more to prepare inmates for release and reduce recidivism, as 77 percent of State inmates and 38 percent of Federal inmates are rearrested within five years of release.<sup>8</sup>

- Congress should provide targeted Federal financial aid to prisoners eligible for release to improve employment outcomes and reduce recidivism.

→ **Give Prospective Students More Meaningful and Useful Information about Schools and Programs** – Providing prospective students with more transparent information about the institutions and programs they are considering will enable them to make better decisions about their education. Although the Department of Education currently provides students with useful institution-level data—such as annual costs, average earnings, and graduation rates—Congress should ensure students have the program-level earnings and outcome data they need to make better informed choices about potential careers and educational opportunities.

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<sup>7</sup> The White House. “President Donald J. Trump Calls on Congress to Pass the FIRST STEP Act.” Fact sheet. November 2018: <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-calls-congress-pass-first-step-act/>

<sup>8</sup> Ibid.