



## **NACUBO Executive Summary Campus-Based Aid Programs in the College Affordability Act (HR 4674)**

### ***College Affordability Act Campus-Based Aid Proposals***

The [College Affordability Act](#) (CAA), as introduced by House Education and Labor Committee Chairman Bobby Scott (D-VA), contains a number of new proposals and changes to existing federal campus-based aid programs. The federal campus-based aid programs include the Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan Program and are administered by the financial aid office at each participating institution. The CAA includes changes to all three programs; most aimed at helping low-income and Pell-eligible students.

### ***Federal Supplemental Educational Opportunity Grant Proposals***

The FSEOG Program provides need-based grants to help low-income undergraduates finance the cost of their education. While the Department of Education (ED) allocates funds to participating schools, it is the institutions that determine which students with “exceptional need” receive the grant. This flexibility allows schools to provide students with thoughtfully-tailored financial aid packages.

The CAA would limit program eligibility to nonprofit institutions and would progressively increase funding for the program from \$840 million in FY19 to \$1.75 billion in FY25 and beyond.

Currently, ED allocates funds based on an institution’s previous funding level and the aggregate need of eligible students in the prior year, with institutions contributing 25 percent of the award amounts. Beginning in FY21, the CAA would begin reducing current federal allocations and phase in a need-based “fair-share amount,” meaning that the share some schools currently receive could change. Designated minority-serving institutions would not be required to provide an institutional match; the federal share would be 100 percent. Under the new fair-share amount formula, half of an institution’s allocation would be calculated by determining the proportion of Pell Grant funding awarded at the institution relative to Pell Grants awarded to all participating institutions. The other half would be calculated by determining the proportion of undergraduate student need at the institution relative to the total undergraduate student need at all participating institutions.

### ***Emergency Financial Aid Grant Program Proposals***

The CAA would also establish an emergency grant program to provide students with aid when financial challenges occur that impact their ability to continue their education, such as employment loss, medical conditions, and food insecurity. Additionally, grants would be available for dependent students when a parent or guardian dies or loses employment due to a medical condition. Similar to FSEOG, institutions would have to apply to participate and then would manage the program. Participating schools would annually report certain information to ED, including how many students received grants, the average award size, types of emergencies, and number of denials, among other items. The CAA would require interviews with student applicants, and an opportunity for students to appeal denials.

The share of funds for this grant program would be a 50/50 split between the federal government and participating institutions, except in the case of designated minority-serving institutions, where the federal share would be 100 percent. Grants to students would be capped at \$750 per award, with a cumulative lifetime cap of \$2,000 in federal funds per student.



***Federal Work-Study Proposals***

Currently, an institution's share of FWS dollars is directly related to how long it has participated in the program. The CAA would phase out this formula over time and replace it with one that allocates funds based on the number of low-income students at an institution and the unmet need of students. Authorization levels would be increased each year, up to \$2.5 billion in FY25 and beyond.

***Federal Direct Perkins Loans Proposals***

The CAA would revive the Federal Direct Perkins Loan Program, with fundamental changes; institutions could offer loans of up to \$5,500 to undergraduate students and up to \$8,000 to graduate and professional students. Interest rates would be fixed at 5 percent and other terms would mirror the unsubsidized Direct Stafford Loan terms. Schools would apply to participate in the program, which, like FWS, would divide up the proposed \$2.4 billion per year based on the number of low-income students and unmet need at an institution.

***NACUBO Concern***

- NACUBO is generally supportive of the campus-based aid proposals contained in the CAA. Our only current concern is that the CAA would not allow Federal Direct Perkins Loan servicing to remain at the local level, where it could be conducted and controlled by individual institutions, as the previous Perkins Loan Program allowed. Instead, these functions would be performed by a servicer contracted by ED. Campus-based serving creates an infrastructure that allows schools to service other types of institutional and profession-based loans as well. This local allowance provides tailored and personal financial advice, placing an emphasis on financial well-being and default prevention.