

**Sen. Jeanne Shaheen (D-NH)**

**S. 1939 - Student Protection and Success Act**

**Co-sponsor: Sen. Hatch (R-UT)**

### **Risk-sharing based on low cohort repayment rate**

#### **Loan Participation Rate**

To be considered in risk-sharing for the fiscal year in question, an institution must have 30 or more borrowers enter repayment on Stafford subsidized or unsubsidized or consolidated loans.

#### **Cohort Repayment Rate**

The percentage of borrowers who are not in default and who make at least one dollar on their initial principal before the end of the second fiscal year following the fiscal year in which the borrowers entered repayment. A borrower who is in certain deferments is not included in the calculation.

#### **Ineligibility Based on Low Cohort Repayment Rate**

An institution must have a cohort repayment rate of 46 percent or better for the first year of the program or lose eligibility for the Direct Student Loan program, the Perkins Loan program, and the Pell Grant program. In subsequent years, the threshold could be raised, but no higher than 69 percent.

An institution that fails to reach the cohort repayment cut-off rate, would lose eligibility for the direct loan programs (including PLUS) for that fiscal year and for 2 subsequent years.

#### **Appeals**

Institutions may appeal their cohort repayment rate, and continue to provide loans. If the institution loses the appeal, it must pay back all the loans to the Department of Education.

#### **Risk-sharing Payments Based on Cohort Non-repayment Loan Balances**

The risk-sharing payment is based on the cohort non-repayment loan balance of non-PLUS direct loans at the institution for which there has been not at least a \$1 reduction in the principal balance in 3 consecutive years, excepting those loans in certain deferment categories. The amount of the risk-sharing payment is 20 percent of the cohort non-repayment loan balance less the average unemployment rate of the 3 years times the cohort non-repayment loan balance.

#### **Bonus Program**

Awards to institutions are based on enrollment and completion of Pell Grant recipients and the amount of Pell Grants received. Funds may be used for additional need-based aid for Pell Grant recipients, enhancing support services, or establishing or expanding accelerated learning opportunities. The grant must supplement, not supplant such activities already funded by the institution.