

119<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2899

To provide for accountability in higher education.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2025

Mr. TAKANO (for himself, Ms. LEE of Nevada, Mr. KRISHNAMOORTHY, Ms. WATERS, and Ms. ADAMS) introduced the following bill; which was referred to the Committee on Education and Workforce, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To provide for accountability in higher education.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Preventing Risky Op-  
5 erations from Threatening the Education and Career Tra-  
6 jectories of Students Act of 2025” or the “PROTECT  
7 Students Act of 2025”.

8 **SEC. 2. TABLE OF CONTENTS.**

9 The table of contents for this Act is as follows:

Sec. 1. Short title.

- Sec. 2. Table of contents.  
 Sec. 3. References.

#### TITLE I—STUDENT AND TAXPAYER PROTECTIONS

- Sec. 101. Gainful employment and financial value transparency.  
 Sec. 102. Borrower defense and substantial misrepresentations.  
 Sec. 103. Closed school discharge.  
 Sec. 104. Prohibition on institutions limiting student legal action.  
 Sec. 105. Incentive compensation.

#### TITLE II—ENSURING INTEGRITY AT INSTITUTIONS OF HIGHER EDUCATION AND INSTITUTIONAL CONTRACTORS

- Sec. 201. Updating Federal oversight of third-party servicers.  
 Sec. 202. Job placement rates.  
 Sec. 203. Allocation of tuition and fee revenue by title IV institutions.  
 Sec. 204. Past performance.  
 Sec. 205. Recoupment.

#### TITLE III—IMPROVING OVERSIGHT

- Sec. 301. Enforcement in the Office of Federal Student Aid.  
 Sec. 302. For-Profit Education Oversight Coordination Committee.  
 Sec. 303. Establishment and maintenance of complaint resolution and tracking system.  
 Sec. 304. Reforms to eligibility and certification procedures.  
 Sec. 305. State oversight.  
 Sec. 306. Accrediting agency oversight.  
 Sec. 307. Mandatory spending for administrative costs of operating the student aid programs.

#### TITLE IV—IMPROVING ACCESS TO STUDENT AND TAXPAYER INFORMATION

- Sec. 401. Reporting and disclosures from institutions of higher education.  
 Sec. 402. Transparency of oversight activities.

### 1 **SEC. 3. REFERENCES.**

2       Except as otherwise expressly provided in this Act,  
 3 wherever in this Act an amendment or repeal is expressed  
 4 in terms of an amendment to, or a repeal of, a section  
 5 or other provision, the reference shall be considered to be  
 6 made to that section or other provision of the Higher Edu-  
 7 cation Act of 1965 (20 U.S.C. 1001 et seq.).

1                   **TITLE I—STUDENT AND**  
2                   **TAXPAYER PROTECTIONS**

3   **SEC. 101. GAINFUL EMPLOYMENT AND FINANCIAL VALUE**  
4                   **TRANSPARENCY.**

5           (a) **DEFINING GAINFUL EMPLOYMENT PROGRAMS.—**

6                   (1) **ADDITIONAL INSTITUTIONS.—**Section  
7           101(b) (20 U.S.C. 1001(b)) is amended in para-  
8           graph (1), by inserting “, including that meets the  
9           standards for debt-to-earnings and earnings pre-  
10          mium in section 498C,” after “gainful employment  
11          in a recognized occupation”.

12                  (2) **PROPRIETARY INSTITUTION OF HIGHER**  
13          **EDUCATION.—**Section 102(b)(1)(A)(i) (20 U.S.C.  
14          1002(b)(1)(A)(i)) is amended, by inserting “, includ-  
15          ing that meets the standards for debt-to-earnings  
16          and earnings premium in section 498C” after “gain-  
17          ful employment in a recognized occupation”.

18                  (3) **POSTSECONDARY VOCATIONAL INSTITU-**  
19          **TION.—**Section 102(c)(1)(A) (20 U.S.C.  
20          1002(c)(1)(A)) is amended, by inserting “, including  
21          that meets the standards for debt-to-earnings and  
22          earnings premium in section 498C” after “gainful  
23          employment in a recognized occupation”.

24                  (4) **ELIGIBLE PROGRAM.—**Section  
25          481(b)(1)(A)(i) (20 U.S.C. 1088(b)(1)(A)(i)) is

1 amended, by inserting “, including that meets the  
2 standards for debt-to-earnings and earnings pre-  
3 mium in section 498C” after “gainful employment in  
4 a recognized profession”.

5 (b) DEBT-TO-EARNINGS AND EARNINGS PREMIUM.—  
6 Subpart 3 of part H of title IV (20 U.S.C. 1099c et seq.)  
7 is amended by adding at the end the following:

8 **“SEC. 498C. DEBT-TO-EARNINGS AND EARNINGS PREMIUM.**

9 “(a) DEFINITIONS.—In this section:

10 “(1) ANNUAL DEBT-TO-EARNINGS RATE.—The  
11 term ‘annual debt-to-earnings rate’ means the rate  
12 that is calculated for a cohort of students by taking  
13 the annual loan payment for such cohort, as cal-  
14 culated by the Secretary, divided by the median an-  
15 nual earnings for such cohort.

16 “(2) ANNUAL LOAN PAYMENT.—The term ‘an-  
17 nual loan payment’ means, for a cohort of students,  
18 as defined by the Secretary, who completed an eligi-  
19 ble program, their total annual payment on loans  
20 borrowed to enroll in the institution that offered the  
21 eligible program, measured not less than 2 and not  
22 more than 4 years after their completion.

23 “(3) DISCRETIONARY DEBT-TO-EARNINGS  
24 RATE.—The term ‘discretionary debt-to-earnings  
25 rate’ means the rate that is calculated for a cohort

1 of students by taking the annual loan payment for  
2 such cohort, as calculated by the Secretary, divided  
3 by the discretionary earnings for such cohort.

4 “(4) DISCRETIONARY EARNINGS.—The term  
5 ‘discretionary earnings’ means, for a cohort of stu-  
6 dents, as defined by the Secretary, who completed  
7 an eligible program, the median annual earnings  
8 minus the amount that is 150 percent of the poverty  
9 level for an individual, as determined by the Depart-  
10 ment of Health and Human Services.

11 “(5) EARNINGS PREMIUM.—The term ‘earnings  
12 premium’ means the amount by which the median  
13 annual earnings exceed the median earnings for  
14 working adults with not more than a high school di-  
15 ploma, as determined using data from the Bureau of  
16 the Census—

17 “(A) in the State where the institution  
18 that provides the eligible program is located; or

19 “(B) if fewer than half of the students in  
20 the eligible program are from the State where  
21 the institution that provides the eligible pro-  
22 gram is located, or if the institution is a foreign  
23 institution, nationally.

24 “(6) MEDIAN ANNUAL EARNINGS.—The term  
25 ‘median annual earnings’ means, for a cohort of stu-

1 dents, as defined by the Secretary, who completed  
2 an eligible program, the midpoint of their annual  
3 earnings measured not less than 2 and not more  
4 than 4 years after their completion.

5 “(b) STANDARDS.—

6 “(1) IN GENERAL.—An eligible program does  
7 not meet the standards for debt-to-earnings or earn-  
8 ings premium if it fails the debt-to-earnings rates or  
9 fails the earnings premium, as described in para-  
10 graph (2), in 2 out of any 3 consecutive years.

11 “(2) FAILING.—An eligible program—

12 “(A) fails the debt-to-earnings rates if it  
13 has—

14 “(i) a discretionary debt-to-earnings  
15 rate equal to or greater than 20 percent;  
16 and

17 “(ii) an annual debt-to-earnings rate  
18 equal to or greater than 8 percent; and

19 “(B) fails the earnings premium if it has  
20 an earnings premium of zero or a negative  
21 amount.

22 “(c) PROCESS.—

23 “(1) DATA MATCH.—In order to ensure compli-  
24 ance with paragraph (2), the Commissioner of the  
25 Internal Revenue Service, the Commissioner of the

1 Social Security Administration, and the head of any  
2 other Federal agency that administers the database  
3 of individual-level earnings data shall, in coordina-  
4 tion with the Secretary, timely ensure secure, annual  
5 data matches of earnings data with Department of  
6 Education data to produce the median annual earn-  
7 ings of each eligible program.

8 “(2) REQUIREMENTS OF THE SECRETARY.—

9 The Secretary shall—

10 “(A) on an annual calendar year basis—

11 “(i) for each eligible program—

12 “(I) calculate for each award  
13 year the discretionary debt-to-earnings  
14 rate, the annual debt-to-earnings rate,  
15 and the earnings premium for the  
16 program; and

17 “(II) publish the discretionary  
18 debt-to-earnings rate, the annual  
19 debt-to-earnings rate, and the earn-  
20 ings premium for the eligible program  
21 for each award year on a website es-  
22 tablished and maintained by the Sec-  
23 retary;

24 “(ii) for each eligible program that is  
25 a program of training to prepare students

1 for gainful employment in a recognized oc-  
2 cupation or a graduate or professional de-  
3 gree program offered by an institution of  
4 higher education described in section  
5 101(a), issue a notice of determination not  
6 later than 45 days after completing the  
7 data match described in paragraph (1), in-  
8 forming the institution that provides the  
9 program—

10 “(I) of the final discretionary  
11 debt-to-earnings rate, the annual  
12 debt-to-earnings rate, and the earn-  
13 ings premium for the program, which  
14 may not be appealed by the institution  
15 unless the institution believes that the  
16 Secretary erred in the calculation of  
17 any such measure;

18 “(II) of the final determination  
19 regarding whether the program fails  
20 the debt-to-earnings rates or fails the  
21 earnings premium, as described in  
22 subsection (b)(2);

23 “(III) whether the program does  
24 not meet the standards for debt-to-  
25 earnings or earnings premium as de-

1                   scribed in subsection (b)(1) or could  
2                   not meet such standards in the next  
3                   year if it fails the debt-to-earnings  
4                   rates or fails the earnings premium,  
5                   as described in subsection (b)(2), in  
6                   such next year; and

7                   “(IV) whether the institution is  
8                   required to provide warnings to en-  
9                   rolled students and prospective stu-  
10                  dents of the program’s failure, or risk  
11                  of failure, to meet the standards, as  
12                  determined under subclause (III); and

13                  “(iii) for each eligible program that is  
14                  a program of training to prepare students  
15                  for gainful employment in a recognized oc-  
16                  cupation that does not meet the standards  
17                  for debt-to-earnings and earnings premium  
18                  as described in subsection (b)(1), enforce  
19                  the consequences under subsection (d); and

20                  “(B) develop processes to verify, on an an-  
21                  nual calendar year basis—

22                  “(i) that each eligible program that is  
23                  a program of training to prepare students  
24                  for gainful employment in a recognized oc-  
25                  cupation or a graduate or professional de-

1           gree program offered by an institution of  
2           higher education described in section  
3           101(a), provides the warning described in  
4           subparagraph (A)(ii)(IV), if applicable;  
5           and

6                   “(ii) that each eligible program that is  
7           a program of training to prepare students  
8           for gainful employment in a recognized oc-  
9           cupation that does not meet the standards  
10          for debt-to-earnings or earnings premium  
11          as described in subsection (b)(1), does not  
12          receive funds as described in subsection  
13          (d).

14          “(d) CONSEQUENCES OF NOT MEETING STAND-  
15          ARDS.—

16                   “(1) NO DISBURSEMENT OF FUNDS FOR EN-  
17          ROLLMENT IN INELIGIBLE PROGRAMS.—An institu-  
18          tion may not disburse program funds under this title  
19          to students enrolled in a program of training to pre-  
20          pare students for gainful employment in a recog-  
21          nized occupation that does not meet the standards  
22          for debt-to-earnings and earnings premium as de-  
23          scribed in this section.

24                   “(2) TIME PERIOD TO REESTABLISH ELIGI-  
25          BILITY.—An institution may not seek to reestablish

1 the eligibility of a program of training to prepare  
2 students for gainful employment in a recognized oc-  
3 cupation that does not meet the standards for debt-  
4 to-earnings and earnings premium as described in  
5 this section or establish the eligibility of a program  
6 of training to prepare students for gainful employ-  
7 ment in a recognized occupation that is substantially  
8 similar to the program that did not meet such stand-  
9 ards until the date that is 3 years after the date of  
10 the notice of determination issued under subsection  
11 (c)(2)(A)(ii) that the program of training to prepare  
12 students for gainful employment in a recognized oc-  
13 cupation does not meet the standards.

14 “(e) REGULATIONS.—The Secretary shall issue regu-  
15 lations to carry out this section not later than 1 year after  
16 the date of enactment of the Preventing Risky Operations  
17 from Threatening the Education and Career Trajectories  
18 of Students Act of 2025, except that such regulations shall  
19 not be subject to the requirements of sections 482 or  
20 492.”.

21 **SEC. 102. BORROWER DEFENSE AND SUBSTANTIAL MIS-**  
22 **REPRESENTATIONS.**

23 (a) BORROWER DEFENSE TO REPAYMENT.—Section  
24 455(h) (20 U.S.C. 1087e(h)) is amended to read as fol-  
25 lows:

1 “(h) BORROWER DEFENSES.—

2 “(1) IN GENERAL.—Notwithstanding any other  
3 provision of State or Federal law, the Secretary shall  
4 discharge a covered loan in repayment made to a  
5 borrower with a defense to repayment of the loan, as  
6 described in this section.

7 “(2) DEFINITIONS.—In this subsection:

8 “(A) REPAYMENT.—The term ‘repayment’  
9 means the period after any in-school deferment  
10 or grace period and before a loan is paid in full  
11 other than by a consolidation loan made under  
12 this title, including, without limitation, a loan  
13 in default.

14 “(B) COVERED LOAN.—The term ‘covered  
15 loan’ means a loan made, insured, or guaran-  
16 teed under this title that has an outstanding  
17 balance comprised in whole or in part by repay-  
18 ment obligations incurred to cover the cost of  
19 attendance at an institution of higher edu-  
20 cation.

21 “(3) BASIS FOR DEFENSE TO REPAYMENT.—

22 “(A) IN GENERAL.—For purposes of dis-  
23 charge under this section, a borrower defense to  
24 repayment is established when the Secretary  
25 concludes by a preponderance of the evidence

1 that a qualifying act, omission, or event oc-  
2 curred, and the student whose cost of attend-  
3 ance was paid in whole or in part by the pro-  
4 ceeds of a covered loan suffered detriment in  
5 the nature and degree warranting a borrower  
6 defense discharge.

7 “(B) QUALIFYING ACTS, OMISSIONS, OR  
8 EVENTS.—A qualifying act, omission, or event  
9 includes without limitation any of the following:

10 “(i) The institution, one of its rep-  
11 resentatives, or a third-party servicer of  
12 the institution made a substantial mis-  
13 representation (as described in section  
14 481(g)), directly or indirectly, to the bor-  
15 rower in connection with the borrower’s de-  
16 cision to attend, or to continue attending,  
17 the institution or the borrower’s decision to  
18 take out a covered loan.

19 “(ii) The institution failed to perform  
20 its obligations under the terms of a con-  
21 tract with the student and such obligation  
22 was undertaken as consideration or in ex-  
23 change for the borrower’s decision to at-  
24 tend, or to continue attending, the institu-  
25 tion, for the borrower’s decision to take

1 out a covered loan, or for funds disbursed  
2 in connection with a covered loan.

3 “(iii) The institution engaged in ag-  
4 gressive and deceptive recruitment conduct  
5 or tactics in connection with the borrower’s  
6 decision to attend, or to continue attend-  
7 ing, the institution or the borrower’s deci-  
8 sion to take out a covered loan. Aggressive  
9 and deceptive recruitment tactics or con-  
10 duct include actions by the institution, any  
11 of its representatives, or any entity, orga-  
12 nization, or person with whom the institu-  
13 tion has an agreement to provide edu-  
14 cational programs, marketing, recruitment,  
15 or lead generation services that pressure a  
16 student to make enrollment or loan-related  
17 decisions, take unreasonable advantage of  
18 a student’s lack of knowledge, discourage a  
19 student or prospective student from con-  
20 sulting an advisor prior to making enroll-  
21 ment or loan-related decisions, use threat-  
22 ening or abusive language, or repeatedly  
23 engage in unsolicited contact.

24 “(iv) The borrower, whether as an in-  
25 dividual or as a member of a class, or a

1 governmental agency has obtained against  
2 the institution a favorable judgment based  
3 on State or Federal law in a court or ad-  
4 ministrative tribunal of competent jurisdic-  
5 tion based on the institution's act or omis-  
6 sion relating to the making of a covered  
7 loan, or the provision of educational serv-  
8 ices for which the loan was provided, not-  
9 withstanding any possible appeal.

10 “(v) The Secretary sanctioned or oth-  
11 erwise took adverse action against the in-  
12 stitution at which the borrower enrolled,  
13 based on the institution's acts or omissions  
14 that could give rise to a borrower defense  
15 under clause (i), (ii), or (iii).

16 “(vi) The institution committed any  
17 act or omission that relates to the making  
18 of the covered loan for enrollment at the  
19 institution or the provision of educational  
20 services for which the covered loan was  
21 provided that would give rise to a cause of  
22 action against the institution under appli-  
23 cable State law without regard to any stat-  
24 ute of limitations.

1           “(C) DETERMINATION WHETHER DETRIMENT WARRANTS DISCHARGE.—In determining whether the nature and degree of detriment warrants a borrower defense discharge, the Secretary shall consider the totality of the circumstances, including the nature and degree of detriment shown by previous recipients of borrower defense discharge, and drawing all inferences and presumptions warranted by the evidence under the circumstances.

11           “(4) EFFECT OF DISCHARGE.—To effectuate a borrower defense discharge of a covered loan in repayment, the Secretary shall carry out the following:

14           “(A) Discharge all amounts owed to the Secretary, including interest and fees, on the covered loan, subject to the limitation in paragraph (5). In the case of a covered loan that is a Federal Direct Consolidation Loan or a Federal Consolidation Loan under section 428C comprised only in part of repayment obligations incurred to cover the cost of attendance at the institution whose acts or omissions are the basis of the discharge, the Secretary may discharge less than the total amount of the covered loan when loan account records clearly establish the

1           portion of the covered loan not subject to the  
2           defense to repayment.

3           “(B) Reimburse all payments previously  
4           made to the Secretary on the covered loan, sub-  
5           ject to the limitation in paragraph (5).

6           “(C) For borrowers in default, determine  
7           that the borrower is not in default on the cov-  
8           ered loan and therefore not ineligible to receive  
9           assistance under this title on the basis of de-  
10          fault on the covered loan.

11          “(D) Update or delete adverse reports the  
12          Secretary previously made to consumer report-  
13          ing agencies regarding the covered loan.

14          “(E) Remove the discharged covered loan  
15          and any grant made under this title related to  
16          the student’s attendance at the institution  
17          whose acts or omissions are the basis of the  
18          discharge from the borrower’s loan history for  
19          purposes of calculating eligibility for further  
20          grants and loans under this title.

21          “(5) LIMITATION ON DISCHARGE AND REIM-  
22          BURSEMENT.—The Secretary may reduce the  
23          amount of discharge and reimbursement provided  
24          for in paragraph (4) if the borrower received a  
25          money payment from the institution or related entity

1 in compensation for the acts or omissions forming  
2 the basis of the borrower defense. In deciding wheth-  
3 er a reduction is warranted, and in what amount,  
4 the Secretary shall consider the extent to which the  
5 payment received by the borrower compensated for  
6 non-economic damages, out-of-pocket expenses, or  
7 payments previously made directly to the institution,  
8 and whether the borrower has non-Federal student  
9 loans as a result of attending the institution. The  
10 Secretary may not reduce the amount of discharge  
11 and reimbursement provided for in a covered loan in  
12 paragraph (4) because the borrower received funds  
13 from a State tuition recovery fund.

14 “(6) FINALITY.—A borrower defense discharge  
15 is final upon the Secretary’s notification to the bor-  
16 rower. The Secretary may not thereafter revoke or  
17 reduce the amount of discharge or reimbursement,  
18 absent a finding of fraud on the part of the bor-  
19 rower.

20 “(7) GROUP PROCESS.—Where substantial mis-  
21 representations are widespread, the Secretary shall  
22 seek to assess the eligibility of all potentially af-  
23 fected borrowers as a group or in multiple groups to  
24 expedite the process. If such discharges are ap-  
25 proved, the Secretary shall discharge the covered

1 loans of all eligible borrowers in the group, in ac-  
2 cordance with the processes in this section and with-  
3 out requiring application materials, to the extent  
4 practicable.

5 “(8) REGULATIONS.—The Secretary may pro-  
6 mulgate regulations or otherwise prescribe proce-  
7 dures in relation to borrower defense discharge, con-  
8 sistent with the provisions of this section. Nothing in  
9 this section modifies or displaces existing powers,  
10 authorities, and obligations of the Secretary, includ-  
11 ing obligations imposed under chapter 5 of title 5,  
12 United States Code (commonly known as the ‘Ad-  
13 ministrative Procedures Act’).”.

14 (b) SUBSTANTIAL MISREPRESENTATION.—Section  
15 481 (20 U.S.C. 1088) is amended by adding at the end  
16 the following:

17 “(g) SUBSTANTIAL MISREPRESENTATION.—In this  
18 title, the term ‘substantial misrepresentation’, when used  
19 with respect to an institution of higher education, in-  
20 cludes—

21 “(1) any statement about the nature of the in-  
22 stitution’s educational program, its financial  
23 charges, or the employability or earnings of its grad-  
24 uates that is false, erroneous, or has the likelihood  
25 or tendency to mislead under the circumstances, on

1 which the person to whom it was made could reason-  
2 ably be expected to rely, or has reasonably relied, to  
3 that person's detriment; and

4       “(2) any omission of fact, such as the conceal-  
5 ment, suppression, or absence of material informa-  
6 tion about the nature of the institution's educational  
7 program, its financial charges, the employability or  
8 earnings of its graduates, the availability of enroll-  
9 ment openings in the student's desired program, the  
10 factors that would prevent an applicant from meet-  
11 ing the legal or other requirements to be employed,  
12 licensed, or certified in the field for which the train-  
13 ing is provided which a reasonable person would  
14 have considered in making a decision to attend, or  
15 to continue attending, the institution or to take out  
16 a covered loan.”.

17 **SEC. 103. CLOSED SCHOOL DISCHARGE.**

18       Section 437(c)(1) (20 U.S.C. 1087(c)(1)) is amended  
19 to read as follows:

20       “(1) IN GENERAL.—

21       “(A) IN GENERAL.—If a borrower who re-  
22 ceived, on or after January 1, 1986, a loan  
23 made, insured, or guaranteed under this part  
24 and the student borrower, or the student on  
25 whose behalf a parent borrowed, is unable to

1 complete the program in which such student is  
2 enrolled due to the closure of the institution or  
3 if such student's eligibility to borrow under this  
4 part was falsely certified by the eligible institu-  
5 tion or was falsely certified as a result of a  
6 crime of identity theft, or if the institution  
7 failed to make a refund of loan proceeds which  
8 the institution owed to such student's lender,  
9 then the Secretary shall discharge the bor-  
10 rower's liability on the loan (including interest  
11 and collection fees) by repaying the amount  
12 owed on the loan.

13 “(B) ADDITIONAL DISCHARGE.—

14 “(i) IN GENERAL.—In addition to the  
15 authorization of discharge under subpara-  
16 graph (A), the Secretary shall discharge a  
17 borrower's (including an endorser's) liabil-  
18 ity on a Federal Direct Loan made under  
19 part D if—

20 “(I) the institution at which the  
21 borrower who took the loan (or on  
22 whose behalf it was taken or en-  
23 dorsed) was enrolled, ceased to pro-  
24 vide educational instruction as a  
25 whole, or ceased to provide instruction

1 in the programs in which more than  
2 50 percent of the students were en-  
3 rolled; or

4 “(II) the borrower who took the  
5 loan (or on whose behalf it was taken  
6 or endorsed) was enrolled in an insti-  
7 tution at any time within the period  
8 not earlier than 180 days before the  
9 date of the closure of the institution.

10 “(ii) EXTENSION OF 180 DAYS.—The  
11 Secretary may extend the 180 day period  
12 described in clause (i)(II) in cases where  
13 exceptional circumstances are dem-  
14 onstrated, including if—

15 “(I) the institution was placed on  
16 probation or order to show cause or  
17 approval was withdrawn or terminated  
18 by an accrediting agency or associa-  
19 tion or an institution’s institutional  
20 accreditor, or a State authorizing or  
21 licensing authority;

22 “(II) the institution was placed  
23 on Heightened Cash Monitoring sta-  
24 tus by the Department or was placed  
25 on Provisional Program Participation

1 Approval status, or the institution's  
2 participation in a program under this  
3 title was terminated by the Depart-  
4 ment;

5 “(III) the institution was found  
6 to have violated Federal or State law  
7 related to enrolling or providing edu-  
8 cation services to students by a Fed-  
9 eral or State Government agency, or  
10 is the subject of a Federal or State  
11 court judgment that the institution  
12 violated laws related to enrolling or  
13 providing education services to stu-  
14 dents;

15 “(IV) the teach-out plan (as re-  
16 quired under section 487(f)) of the  
17 borrower's educational program ex-  
18 ceeds the 180 day period described in  
19 clause (i)(II);

20 “(V) the institution responsible  
21 for the teach-out of the borrower's  
22 educational program fails to perform  
23 the material terms of the teach-out  
24 plan (as required under section  
25 487(f)), such that the borrower does

1 not have a reasonable opportunity to  
2 complete the borrower's program of  
3 study; and

4 “(VI) the institution permanently  
5 closed all or most of its in-person lo-  
6 cations while maintaining online pro-  
7 grams or permanently closed many  
8 programs.

9 “(C) NO APPLICATION REQUIREMENT.—A  
10 borrower who took a loan (or on whose behalf  
11 it was taken or endorsed) that is eligible for  
12 discharge under this paragraph due to institu-  
13 tional closure is entitled to discharge without an  
14 application or statement from the borrower 1  
15 year after the institution's closure date if the  
16 student did not complete the program at the in-  
17 stitution.

18 “(D) PURSING CLAIMS.—After discharging  
19 liability on a loan under this paragraph, the  
20 Secretary shall pursue any claim available to a  
21 borrower against the institution and its affili-  
22 ates and principals or settle the loan obligation  
23 pursuant to the financial responsibility author-  
24 ity under subpart 3 of part H.”.

1 **SEC. 104. PROHIBITION ON INSTITUTIONS LIMITING STU-**  
2 **DENT LEGAL ACTION.**

3 (a) ENFORCEMENT OF ARBITRATION AGREE-  
4 MENTS.—

5 (1) IN GENERAL.—Chapter 1 of title 9, United  
6 States Code, (relating to the enforcement of arbitra-  
7 tion agreements) shall not apply to an enrollment  
8 agreement made between a student and an institu-  
9 tion of higher education.

10 (2) DEFINITION.—In this section, the term “in-  
11 stitution of higher education” has the meaning given  
12 such term in section 102 of the Higher Education  
13 Act of 1965 (20 U.S.C. 1002).

14 (b) PROHIBITION ON LIMITATIONS ON ABILITY OF  
15 STUDENTS TO PURSUE CLAIMS AGAINST CERTAIN INSTI-  
16 TUTIONS OF HIGHER EDUCATION.—Section 487(a) (20  
17 U.S.C. 1094(a)) is amended by adding at the end the fol-  
18 lowing:

19 “(30) The institution—

20 “(A) will not require any student to agree  
21 to, and will not enforce, any limitation or re-  
22 striction (including a limitation or restriction on  
23 any available choice of applicable law, a jury  
24 trial, or venue) on the ability of a student to  
25 pursue a claim, individually or with others,  
26 against an institution in court; and

1           “(B) will provide written notification to  
2 students enrolled at the institution that any  
3 limitation or restriction on the ability of a stu-  
4 dent to pursue a claim, individually or with oth-  
5 ers, against an institution in court contained in  
6 any enrollment or other agreement with a stu-  
7 dent will not be enforced.”.

8           (c) PRIVATE RIGHT OF ACTION.—

9           (1) IN GENERAL.—

10           (A) PRIVATE RIGHT OF ACTION.—A viola-  
11 tion described in subparagraph (B) shall be  
12 subject to a private right of action enforceable  
13 by a student or former student of an institution  
14 of higher education, on behalf of such individual  
15 or such individual and a class, in an appro-  
16 priate district court of the United States or any  
17 other court of competent jurisdiction that also  
18 has jurisdiction over the defendant. The student  
19 or former student may seek any relief provided  
20 under section 455(h) for such violation, or any  
21 remedies otherwise available to the individual  
22 under law and equity.

23           (B) VIOLATIONS.—A violation described in  
24 this subparagraph is any of the following:

1 (i) A substantial misrepresentation,  
2 including a substantial omission of fact.

3 (ii) A violation of section 487(a)(20)  
4 of the Higher Education Act of 1965 (20  
5 U.S.C. 1094(a)(20)).

6 (iii) A violation of the default rate  
7 regulations promulgated by the Secretary  
8 under section 435(m)(3) of the Higher  
9 Education Act of 1965 (20 U.S.C.  
10 1085(m)(3)).

11 (iv) A violation of the program integ-  
12 rity regulations promulgated by the Sec-  
13 retary under the Higher Education Act of  
14 1965 (20 U.S.C. 1001 et seq.), including  
15 regulations promulgated to carry out sec-  
16 tion 102, section 455, and part H of such  
17 Act.

18 (2) AMOUNT OF DAMAGES.—

19 (A) IN GENERAL.—Any institution of high-  
20 er education, third party servicer that contracts  
21 with such institution, or third party contractor  
22 that commits a substantial misrepresentation  
23 may be held liable to a student or former stu-  
24 dent of that institution in an amount equal to  
25 the sum of—

1 (i) any actual damage sustained by  
2 such individual as a result of each substan-  
3 tial misrepresentation;

4 (ii) any additional damages as the  
5 court may allow; and

6 (iii) in the case of any successful ac-  
7 tion to enforce the foregoing liability, the  
8 costs of the action, together with a reason-  
9 able attorney's fee as determined by the  
10 court.

11 (B) ABILITY TO ASSESS PUNITIVE DAM-  
12 AGES.—

13 (i) IN GENERAL.—On a finding by the  
14 court that an institution of higher edu-  
15 cation, third party servicer that contracts  
16 with such institution, or third party con-  
17 tractor has committed a violation described  
18 in paragraph (1)(B) with actual or con-  
19 structive knowledge or reckless disregard  
20 for such violation, the court may assess  
21 punitive damages not to exceed threefold  
22 the sum of actual damages sustained by  
23 the plaintiff or class, including court costs  
24 and a reasonable attorney's fee.

1                   (ii) FACTORS CONSIDERED BY THE  
2 COURT.—In determining the amount of li-  
3 ability in any action under clause (i), the  
4 court shall consider, among other relevant  
5 factors—

6                   (I) in any individual action under  
7 this subsection, the frequency and  
8 persistence of noncompliance by the  
9 institution of higher education, third  
10 party servicer that contracts with  
11 such institution, or third party con-  
12 tractor and the nature of such non-  
13 compliance; or

14                   (II) in any class action under  
15 this subsection, in addition to the fac-  
16 tors listed in subclause (I), the finan-  
17 cial resources of the institution of  
18 higher education, third party servicer  
19 that contracts with such institution,  
20 or third party contractor and the  
21 number of persons adversely affected.

22                   (3) JURISDICTION.—An action to enforce any  
23 liability created by this subsection may be brought  
24 in any appropriate United States district court with-

1 out regard to the amount in controversy, or in any  
2 other court of competent jurisdiction.

3 (d) PROHIBITION ON TRANSCRIPT WITHHOLDING.—  
4 Section 487(a) (20 U.S.C. 1094(a)), as amended by sub-  
5 section (b), is further amended by adding at the end the  
6 following:

7 “(31) The institution—

8 “(A) will not withhold official transcripts  
9 related to a balance owed by the student to the  
10 institution; and

11 “(B) will provide an official transcript to a  
12 student upon request by the student.”.

13 **SEC. 105. INCENTIVE COMPENSATION.**

14 (a) INCENTIVE COMPENSATION.—

15 (1) REVOCATION.—Example 2–B of Question 2  
16 of the Department of Education Dear Colleague  
17 Letter GEN–11–05 (March 17, 2011) is revoked.

18 (2) PROHIBITION.—The Department of Edu-  
19 cation may not issue a regulation or subregulatory  
20 guidance that would establish an exception to the  
21 prohibition provided in section 487(a)(20) of the  
22 Higher Education Act of 1965 (20 U.S.C.  
23 1094(a)(20)).

1 (b) INSTITUTIONAL COMPLIANCE WITH THE INCEN-  
2 TIVE COMPENSATION BAN.—Section 487(a)(20) (20  
3 U.S.C. 1094(a)(20)) is amended—

4 (1) by striking “The institution” and inserting  
5 “(A) The institution”; and

6 (2) by adding at the end the following:

7 “(B) Not later than 1 year after the date of en-  
8 actment of the Preventing Risky Operations from  
9 Threatening the Education and Career Trajectories  
10 of Students Act of 2025, the institution shall attest  
11 to the Secretary that the institution is in compliance  
12 with subparagraph (A) notwithstanding the guidance  
13 provided in Department of Education Example 2–B  
14 of Question 2 of Dear Colleague Letter GEN–11–05  
15 (March 17, 2011), in such form as required by the  
16 Secretary. If the institution is not in compliance as  
17 of the date of enactment of the Preventing Risky  
18 Operations from Threatening the Education and Ca-  
19 reer Trajectories of Students Act of 2025, the Sec-  
20 retary shall revoke the institution’s program partici-  
21 pation agreement under this section.

22 “(C) Following the attestation required under  
23 subparagraph (B), the institution shall annually pro-  
24 vide verification from an independent auditor that

1 the institution is in compliance with subparagraph  
2 (A).”.

3 **TITLE II—ENSURING INTEGRITY**  
4 **AT INSTITUTIONS OF HIGHER**  
5 **EDUCATION AND INSTITU-**  
6 **TIONAL CONTRACTORS**

7 **SEC. 201. UPDATING FEDERAL OVERSIGHT OF THIRD-**  
8 **PARTY SERVICERS.**

9 Section 481(c)(1) (20 U.S.C. 1088(c)(1)) is amended  
10 by inserting “, including related to the delivery of funds  
11 under this title, recruitment or retention of students, com-  
12 pliance with cohort default rate (as defined in section  
13 435(m)) requirements, the development and delivery of in-  
14 structional content, and other applicable activities as de-  
15 scribed by the Secretary” after “title”.

16 **SEC. 202. JOB PLACEMENT RATES.**

17 (a) DEFINITION.—Section 481 (20 U.S.C. 1088), as  
18 amended by section 102(b), is further amended by adding  
19 at the end the following:

20 “(h) JOB PLACEMENT RATES.—The Secretary shall  
21 establish a single definition of ‘job placement rate’ for pur-  
22 poses of this Act that ensures consistent determinations  
23 across institutions and accrediting agencies regarding  
24 when students are placed in a job, to improve accuracy

1 and minimize the opportunity for misleading or deceptive  
2 information.”.

3 (b) PROGRAM PARTICIPATION AGREEMENT.—Section  
4 487(a)(8) (20 U.S.C. 1094(a)(8)) is amended to read as  
5 follows:

6 “(8) In the case of an institution that adver-  
7 tises or discloses job placement rates to prospective  
8 students or that is required to provide regular re-  
9 porting of job placement rates to an accrediting  
10 agency, State authorizer, or other regulator, the in-  
11 stitution will utilize the definition provided under  
12 section 481(h), and shall make available to prospec-  
13 tive students, at or before the time of application—

14 “(A) the most recent available data con-  
15 cerning employment statistics, graduation sta-  
16 tistics, the methodology used by the institution  
17 to calculate the job placement rate, and any  
18 other information necessary to substantiate the  
19 truthfulness of the advertisements or disclo-  
20 sures, and

21 “(B) relevant State licensing requirements  
22 of the State in which such institution is located  
23 for any job for which the course of instruction  
24 is designed to prepare such prospective stu-  
25 dents.”.

1 (c) ACCREDITING AGENCY RECOGNITION.—Section  
2 496(a)(5)(A) (20 U.S.C. 1099b(a)(5)(A)) is amended by  
3 inserting “, as defined pursuant to section 481(h)” before  
4 the semicolon.

5 (d) NONAPPLICABILITY OF RULEMAKING REQUIRE-  
6 MENTS.—The amendments made under this section shall  
7 not be subject to the requirements provided under section  
8 492 (20 U.S.C. 1098a).

9 **SEC. 203. ALLOCATION OF TUITION AND FEE REVENUE BY**  
10 **TITLE IV INSTITUTIONS.**

11 Section 498(c) (20 U.S.C. 1099c(c)) is amended by  
12 inserting at the end the following:

13 “(7) REQUIREMENT TO SPEND REVENUE.—

14 “(A) IN GENERAL.—

15 “(i) Beginning in academic year 2026–  
16 2027 and in each academic year thereafter  
17 through 2031–2032, each institution of higher  
18 education, in order to be eligible to participate  
19 in programs under this title, shall spend an  
20 amount equal to not less than 30 percent of  
21 their tuition and fee revenue (net of allowances  
22 and discounts) on instruction.

23 “(ii) Beginning in academic year 2027–  
24 2028 and in each academic year thereafter  
25 through 2030–2031, the Secretary shall assess

1 the data described in subparagraph (B) and  
2 issue a report that identifies the following:

3 “(I) The total amount of spending on  
4 instruction for each institution.

5 “(II) The total amount of spending on  
6 student services for each institution, ex-  
7 cluding advertising, recruiting, marketing,  
8 compensation of executives or officers, lob-  
9 bying, and other pre-enrollment expenses,  
10 consistent with section 132(l).

11 “(III) Tuition and fee revenue (net of  
12 allowances and discounts) for each institu-  
13 tion.

14 “(IV) The median increase in total  
15 spending on student services and instruc-  
16 tion combined relative to spending on in-  
17 struction relative to tuition and fee revenue  
18 (net of allowances and discounts).

19 “(V) Other relevant information the  
20 Secretary determines appropriate to in-  
21 clude.

22 “(iii) In academic year 2031–2032, the  
23 Secretary shall issue a regulation that estab-  
24 lishes a minimum threshold percentage for in-

1           stitutional spending on instruction and student  
2           services combined that shall be—

3                   “(I) not less than 30 percent; and

4                   “(II) consistent with the median in-  
5                   crease in total spending, as identified  
6                   under clause (ii)(IV) averaged across aca-  
7                   demic years 2028–2029, 2029–2030, and  
8                   2030–2031.

9                   “(iv) Beginning in academic year 2031–  
10                  2032 and in each academic year thereafter,  
11                  each institution of higher education, in order to  
12                  be eligible to participate in programs under this  
13                  title, shall spend an amount equal to not less  
14                  than the threshold percentage established under  
15                  clause (iii) of their tuition and fee revenue (net  
16                  of allowances and discounts) on instruction and  
17                  student services combined.

18                  “(B) REPORTING FROM INSTITUTIONS.—The  
19                  Secretary shall use data from reports received and  
20                  definitions established under section 132(l) to carry  
21                  out this paragraph.

22                  “(C) WARNINGS.—The Secretary shall—

23                   “(i) establish through regulation appro-  
24                   priate thresholds for an institution of higher  
25                   education that meets the spending requirements

1 under clauses (i) and (iv) of subparagraph (A),  
2 but which is at risk of missing such thresholds;  
3 and

4 “(ii) require each institution of higher edu-  
5 cation that is at risk of missing such thresholds  
6 to provide warnings to prospective students and  
7 enrolled students of the institution regarding  
8 the low instructional spending.

9 “(D) REGULATIONS.—The Secretary shall issue  
10 such regulations as determined necessary by the Sec-  
11 retary to ensure compliance with the requirements of  
12 this paragraph, taking into consideration cost and  
13 convenience.”.

14 **SEC. 204. PAST PERFORMANCE.**

15 Section 487(a)(16) (20 U.S.C. 1094(a)(16)) is  
16 amended by inserting at the end the following:

17 “(C) The institution will not knowingly employ  
18 an individual who was an owner, director, officer, or  
19 employee who exercised substantial control over an  
20 institution that owes a liability.

21 “(D) The institution will not knowingly—

22 “(i) employ an individual who was—

23 “(I) an owner, director, officer, or em-  
24 ployee of an institution that has—

1           “(aa) been found to have en-  
2           gaged in fraud, misuse of funds, or  
3           any material violation of law; or

4           “(bb) had its participation in  
5           programs under this title terminated,  
6           its certification revoked, or its applica-  
7           tion for certification or recertification  
8           for participation in such programs de-  
9           nied; or

10          “(II) a 10 percent-or-higher equity  
11          owner, director, officer, principal, or execu-  
12          tive of, or contractor affiliated with, an-  
13          other institution in any year in which the  
14          other institution incurred a loss of Federal  
15          funds, as determined by the Secretary, in  
16          excess of 5 percent of the other institu-  
17          tion’s annual funds under this title; or

18          “(ii) contract with any institution, third-  
19          party servicer, individual, agency, or organiza-  
20          tion that has, or whose owners, officers, or em-  
21          ployees have—

22          “(I) been found to have engaged in  
23          fraud, misuse of funds, or any material  
24          violation of law;

1           “(II) had its participation in pro-  
2           grams under this title terminated, its cer-  
3           tification revoked, or its application for  
4           certification or recertification for participa-  
5           tion in such programs denied; or

6           “(III) been a 10 percent-or-higher eq-  
7           uity owner, director, officer, principal, ex-  
8           ecutive of, or contractor affiliated with, an-  
9           other institution in any year in which the  
10          other institution incurred a loss of Federal  
11          funds, as determined by the Secretary, in  
12          excess of 5 percent of the other institu-  
13          tion’s annual funds under this title.”.

14 **SEC. 205. RECOUPMENT.**

15       (a) CLARIFYING THE AUTHORITY TO RECOUP LI-  
16 ABILITIES FROM TITLE IV INSTITUTIONS.—Section  
17 487(c)(1) (20 U.S.C. 1094(c)(1)) is amended by striking  
18 subparagraph (F) and inserting the following:

19           “(F) the limitation, suspension, or termi-  
20           nation of the participation in any program  
21           under this title of an eligible institution, the  
22           recoupment of liabilities established pursuant to  
23           section 493E, or the imposition of a civil pen-  
24           alty under paragraph (3)(B) whenever the Sec-  
25           retary has determined, after reasonable notice

1 and opportunity for hearing, that such institu-  
2 tion has violated or failed to carry out any pro-  
3 vision of this title, any regulation prescribed  
4 under this title, or any applicable special ar-  
5 rangement, agreement, or limitation, except  
6 that no period of suspension under this section  
7 shall exceed 60 days unless the institution and  
8 the Secretary agree to an extension or unless  
9 limitation or termination proceedings are initi-  
10 ated by the Secretary within that period of  
11 time.”.

12 (b) RECOUPMENT OF LIABILITIES.—Part G of title  
13 IV (20 U.S.C. 1088 et seq.) is amended by adding at the  
14 end the following:

15 **“SEC. 493E. RECOUPMENT.**

16 “(a) IN GENERAL.—The Secretary shall assess liabil-  
17 ities and seek to recoup funds provided under this title  
18 from an institution of higher education as a result of stu-  
19 dent loan discharges, findings from program reviews or  
20 compliance audits, or due to other forms of misconduct  
21 or noncompliance.

22 “(b) WAIVER AUTHORITY.—The Secretary may  
23 waive some or all of the liabilities described in subsection  
24 (a) based on the individual circumstances of the institu-  
25 tion.”.

1 (c) OWNER SIGNATURES.—Section 498(b) of the  
2 Higher Education Act of 1965 (20 U.S.C. 1099c(b)) is  
3 amended—

4 (1) in paragraph (4), by striking “and” after  
5 the semicolon;

6 (2) in paragraph (5), by striking the period at  
7 the end and inserting “; and”; and

8 (3) by adding at the end the following:

9 “(6) requires both an authorized representative  
10 of the institution and, if applicable, an authorized  
11 representative of any entity with ownership and sub-  
12 stantial control over the institution to sign the pro-  
13 gram participation agreement, as described under  
14 section 487, for the institution, which shall ensure  
15 that the institution and its owner, if applicable,  
16 agree to repay any liabilities assessed against the in-  
17 stitution by the Secretary.”.

## 18 **TITLE III—IMPROVING** 19 **OVERSIGHT**

### 20 **SEC. 301. ENFORCEMENT IN THE OFFICE OF FEDERAL STU-** 21 **DENT AID.**

22 (a) ENFORCEMENT UNIT ESTABLISHED IN THE OF-  
23 FICE OF FEDERAL STUDENT AID.—Section 141 (20  
24 U.S.C. 1018) is amended—

1           (1) by redesignating subsections (g) through (i)  
2 as subsections (h) through (j), respectively; and

3           (2) by inserting after subsection (f) the fol-  
4 lowing:

5           “(g) ENFORCEMENT UNIT.—

6           “(1) IN GENERAL.—The Chief Operating Offi-  
7 cer, in consultation with the Secretary, shall estab-  
8 lish an enforcement unit within the PBO (referred  
9 to in this section as the ‘enforcement unit’).

10           “(2) APPOINTMENT.—

11           “(A) CHIEF ENFORCEMENT OFFICER.—  
12 The Chief Operating Officer, in consultation  
13 with the Secretary, shall appoint a Chief En-  
14 forcement Officer as a senior manager, in ac-  
15 cordance with subsection (e), to perform the  
16 functions described in this subsection. The  
17 Chief Enforcement Officer shall report solely  
18 and directly to the Chief Operating Officer.

19           “(B) BONUS.—Notwithstanding subsection  
20 (e), the Chief Enforcement Officer may receive  
21 a bonus, separately determined from the meth-  
22 odology which applies to the calculation of bo-  
23 nuses for other senior managers, based upon  
24 the Chief Operating Officer’s evaluation of the  
25 Chief Enforcement Officer’s performance in re-

1           lation to the goals set forth in a performance  
2           agreement related to the specific duties of the  
3           enforcement unit.

4           “(3) DUTIES.—The enforcement unit shall—

5                   “(A) receive, process, and analyze allega-  
6                   tions and complaints regarding the potential  
7                   violation of Federal or State law (including civil  
8                   and criminal law) or other unfair, deceptive, or  
9                   abusive acts or practices, by institutions of  
10                  higher education, third-party servicers that con-  
11                  tract with such institutions, and loan servicers;

12                   “(B) investigate and coordinate investiga-  
13                   tions of potential or actual misconduct of insti-  
14                   tutions of higher education, third-party  
15                   servicers that contract with such institutions,  
16                   and loan servicers, including engaging in a reg-  
17                   ular program of secret shopping at online and  
18                   campus-based institutions of higher education;

19                   “(C) develop and implement a written pol-  
20                   icy for the enforcement of the ban on prohibited  
21                   incentive compensation not less than annually,  
22                   which may include automatic triggers for in-  
23                   quiries by the Department or regular ‘secret  
24                   shopper’ or audit-based investigations, and shall  
25                   update such policy as needed; and

1           “(D) enforce compliance with laws gov-  
2           erning Federal student financial assistance pro-  
3           grams under title IV, including through the use  
4           of an emergency action in accordance to section  
5           487(c)(1)(I), the limitation, suspension, or ter-  
6           mination of the participation of an eligible insti-  
7           tution in a program under title IV, or the impo-  
8           sition of a civil penalty in accordance with sec-  
9           tion 487(c)(3)(B).

10           “(4) COORDINATION AND STAFFING.—The en-  
11           forcement unit shall—

12           “(A) coordinate with relevant Federal and  
13           State agencies and oversight bodies, including  
14           the For-Profit Education Oversight Coordina-  
15           tion Committee established under section 124;  
16           and

17           “(B) hire staff, (including by appointing  
18           not more than 10 individuals in positions of ex-  
19           pected service, as described in subsection  
20           (h)(3)) with such expertise as is necessary to  
21           conduct investigations, respond to allegations  
22           and complaints, and enforce compliance with  
23           laws governing Federal student financial assist-  
24           ance programs under title IV.

25           “(5) DIVISIONS.—

1           “(A) IN GENERAL.—The enforcement unit  
2 shall have separate divisions with the following  
3 focus areas:

4           “(i) An investigations division to in-  
5 vestigate potential or actual misconduct at  
6 institutions of higher education, third-  
7 party servicers that contract with such in-  
8 stitutions, and loan servicers.

9           “(ii) A division focused on evaluating  
10 the claims of borrowers who assert a de-  
11 fense to repayment of Federal student  
12 loans, or groups of borrowers who qualify  
13 to assert such a defense to repayment,  
14 under section 455(h).

15           “(iii) A division focused on oversight  
16 of the Jeanne Clery Disclosure of Campus  
17 Security Policy and Campus Crime Statis-  
18 tics Act, the reporting of crime and fire  
19 statistics by institutions of higher edu-  
20 cation, and the oversight and enforcement  
21 of section 120 (relating to drug and alco-  
22 hol abuse prevention).

23           “(iv) A division to administer the Sec-  
24 retary’s authority to fine, limit, suspend,  
25 terminate, or take action against institu-

1 tions of higher education, and third-party  
2 servicers that contract with such institu-  
3 tions, participating in the Federal student  
4 financial assistance programs under title  
5 IV.

6 “(v) A division that administers a pro-  
7 gram of compliance monitoring and over-  
8 sight of institutions of higher education,  
9 and third-party servicers that contract with  
10 such institutions, including systems and  
11 procedures to support the eligibility, cer-  
12 tification, and oversight of program par-  
13 ticipants, for all institutions of higher edu-  
14 cation participating in the Federal student  
15 financial assistance programs under title  
16 IV.

17 “(vi) Any other division that the Chief  
18 Enforcement Officer, in coordination with  
19 the Chief Operating Officer and the Sec-  
20 retary, determines is necessary.

21 “(B) REPORTING.—The staff of each divi-  
22 sion described in subparagraph (A) shall report  
23 to the Chief Enforcement Officer.

24 “(6) ACTIONS RECOMMENDED.—The Chief En-  
25 forcement Officer may recommend, as appropriate to

1 the particular circumstance, that the Chief Oper-  
2 ating Officer—

3 “(A) terminate, suspend, or limit an insti-  
4 tution of higher education or a third-party  
5 servicer that contracts with such institution  
6 from participation in 1 or more programs under  
7 title IV (in accordance with section 487), or  
8 provisionally certify such participation (in ac-  
9 cordance with section 498(h));

10 “(B) impose a civil penalty in accordance  
11 with section 487(c)(3)(B);

12 “(C) for a student loan servicer, obtain all  
13 relief, including any penalties and suspension or  
14 termination of the agreement, provided in the  
15 loan servicer agreement to the contract of the  
16 servicer; or

17 “(D) make a recommendation to the Sec-  
18 retary about whether to approve or deny the  
19 claims of borrowers, including groups of bor-  
20 rowers, who assert a defense to repayment in  
21 accordance with section 455(h).”.

22 (b) EXTEND SUBPOENA POWER TO ASSIST WITH IN-  
23 VESTIGATIONS.—Section 490A(a) (20 U.S.C. 1097a(a)) is  
24 amended to read as follows:

1       “(a) AUTHORITY.—To assist the Secretary in the  
2 conduct of investigations of possible violations of the provi-  
3 sions of this title, the Secretary is authorized to—

4               “(1) require by subpoena the production of in-  
5 formation, documents, reports, answers, records, ac-  
6 counts, papers, and other documentary evidence per-  
7 taining to participation in any program under this  
8 title, the production of which may be required from  
9 any place in a State; and

10              “(2) require by subpoena oral testimony by any  
11 person, including any legal entity, concerning infor-  
12 mation pertaining to participation in any title IV  
13 program, the appearance for which may be required  
14 at any place in a State.”.

15       (c) PROGRAM REVIEWS.—Section 498A of the High-  
16 er Education Act of 1965 (20 U.S.C. 1099c-1) is amend-  
17 ed—

18              (1) in subsection (a)—

19                      (A) in the matter preceding paragraph (1),  
20 by striking “and financial responsibility” and  
21 inserting “, financial responsibility, and other  
22 eligibility-related”; and

23                      (B) in paragraph (2)—

1 (i) by redesignating subparagraphs  
2 (A) through (F) as subparagraphs (B)  
3 through (G), respectively;

4 (ii) by inserting before subparagraph  
5 (B), as so redesignated, the following:

6 “(A) identified as ‘high-risk’ institutions  
7 based on a risk-review process developed by the  
8 Department that shall include risk factors, in-  
9 cluding—

10 “(i) significant changes in enrollment;

11 “(ii) high volumes of student com-  
12 plaints or borrower defense claims;

13 “(iii) indicators of issues related to fi-  
14 nancial capability;

15 “(iv) low completion rates;

16 “(v) indications of misleading or de-  
17 ceptive practices, aggressive recruiting, or  
18 substantial misrepresentation;

19 “(vi) significant completion gaps be-  
20 tween students of different demographic  
21 groups; or

22 “(vii) other indicators of risk to stu-  
23 dents or taxpayers;” and

24 (iii) in subparagraph (G), as so redesi-  
25 gnated, by striking “or financial responsi-

1                   bility” and inserting “, financial responsi-  
2                   bility, or other eligibility-related”;

3                   (2) in subsection (d), by striking “criminal in-  
4                   vestigative training” and inserting “criminal and  
5                   civil investigative training (including training in  
6                   identifying misrepresentations in marketing and re-  
7                   cruitment materials)”;

8                   (3) by redesignating subsection (e) as sub-  
9                   section (f); and

10                  (4) by inserting after subsection (d) the fol-  
11                  lowing:

12                  “(e) PROGRAM REVIEWS.—Program reviews shall, at  
13                  minimum, include a review of all—

14                         “(1) recruiting and marketing materials, includ-  
15                         ing scripts and training materials provided to insti-  
16                         tution and third-party servicer staff involved in re-  
17                         cruiting, admissions, or financial aid;

18                         “(2) consumer complaints held by the institu-  
19                         tion and consumer agencies, borrower defense  
20                         claims, the institution’s response to such complaints  
21                         or claims, and any related investigative materials;

22                         “(3) actions against the institution by State or  
23                         Federal regulators or enforcement agencies, includ-  
24                         ing State authorizing agencies and State attorneys  
25                         general, or through qui tam actions; and

1           “(4) actions against the institution by  
2           accreditors.”.

3           (d)    ENHANCED    CIVIL    PENALTIES.—Section  
4   487(c)(3)(B) of the Higher Education Act (20 U.S.C.  
5   1094(c)(3)(B)) is amended—

6           (1) in clause (i)—

7                   (A) by inserting “or its third-party  
8                   servicer” after “eligible institution”; and

9                   (B) by striking “\$25,000 for each violation  
10                   or misrepresentation” and inserting “\$100,000  
11                   for each violation or misrepresentation, or—

12                               “(I) in the case of an institution,  
13                               1.0 percent of the amount of funds  
14                               the institution received through this  
15                               title in the most recent award year  
16                               prior to the determination for each  
17                               such violation; and

18                               “(II) in the case of a third-party  
19                               servicer that contracts with such insti-  
20                               tution, the amount of the contract  
21                               with the institution.”;

22           (2) by redesignating clause (ii) as clause (iii);

23           (3) by inserting after clause (i) the following:

24                   “(ii) The Secretary may consider each time a  
25                   substantial misrepresentation is viewed or experi-

1        enced, including static or standing misrepresenta-  
2        tions, as a separate violation or misrepresentation.”;  
3        and

4                (4) by adding at the end the following:

5                “(iv) For the purpose of determining the  
6        amount of civil penalties under this subsection, any  
7        violation by a particular institution will accrue  
8        against all institutions or affiliates with common  
9        ownership.”.

10 **SEC. 302. FOR-PROFIT EDUCATION OVERSIGHT COORDINA-**  
11 **TION COMMITTEE.**

12        Part B of title I (20 U.S.C. 1011 et seq.) is amended  
13 by adding at the end the following:

14 **“SEC. 124. FOR-PROFIT EDUCATION OVERSIGHT COORDINA-**  
15 **TION COMMITTEE.**

16        “(a) ESTABLISHMENT OF COMMITTEE.—

17                “(1) IN GENERAL.—There is established in the  
18        executive branch a committee to be known as the  
19        ‘For-Profit Education Oversight Coordination Com-  
20        mittee’ (referred to in this section as the ‘Com-  
21        mittee’) and to be composed of the head (or the des-  
22        ignee of such head) of each of the following Federal  
23        entities:

24                “(A) The Department of Education.

1           “(B) The Bureau of Consumer Financial  
2 Protection.

3           “(C) The Department of Justice.

4           “(D) The Securities and Exchange Com-  
5 mission.

6           “(E) The Department of Defense.

7           “(F) The Department of Veterans Affairs.

8           “(G) The Federal Trade Commission.

9           “(H) The Department of Labor.

10          “(I) The Internal Revenue Service.

11          “(J) The enforcement unit of the Perform-  
12 ance-Based Organization established under sec-  
13 tion 141(g).

14          “(K) At the discretion of the Chairperson  
15 of the Committee, any other relevant Federal  
16 agency or department.

17          “(2) PURPOSES.—The Committee shall have  
18 the following purposes:

19                 “(A) Coordinate Federal oversight of for-  
20 profit institutions of higher education to—

21                         “(i) improve enforcement of applicable  
22 Federal laws;

23                         “(ii) increase accountability of for-  
24 profit institutions of higher education to  
25 students and taxpayers; and

1                   “(iii) ensure the promotion of quality  
2                   education programs.

3                   “(B) Coordinate Federal activities to pro-  
4                   tect students from unfair, deceptive, abusive,  
5                   unethical, fraudulent, or predatory practices,  
6                   policies, or procedures of for-profit institutions  
7                   of higher education.

8                   “(C) Encourage information sharing  
9                   among agencies related to Federal investiga-  
10                  tions, audits, program reviews, inquiries, com-  
11                  plaints, financial statements, and other infor-  
12                  mation relevant to the oversight of for-profit in-  
13                  stitutions of higher education.

14                  “(D) Develop binding memoranda of un-  
15                  derstanding that the Federal entities rep-  
16                  resented on the Committee will use regarding  
17                  the sharing of information to exercise the over-  
18                  sight described in this section.

19                  “(E) Increase coordination and cooperation  
20                  between Federal and State agencies (including  
21                  State authorizing agencies, State attorneys gen-  
22                  eral, and State approving agencies designated  
23                  under section 3671 of title 38, United States  
24                  Code) with respect to improving oversight and

1           accountability of for-profit institutions of higher  
2           education.

3           “(F) Develop best practices and consist-  
4           ency among Federal and State agencies in the  
5           dissemination of consumer information regard-  
6           ing for-profit institutions of higher education to  
7           ensure that students, parents, and other stake-  
8           holders have easy access to such information.

9           “(3) CHAIRPERSON.—The Secretary of Edu-  
10          cation or the designee of the Secretary shall serve as  
11          the Chairperson of the Committee.

12          “(b) MEETINGS.—

13                 “(1) COMMITTEE MEETINGS.—The members of  
14          the Committee shall meet regularly, but not less  
15          than once during each quarter of each fiscal year, to  
16          carry out the purposes described in subsection  
17          (a)(2).

18                 “(2) MEETINGS WITH STATE AGENCIES AND  
19          STAKEHOLDERS.—The Committee shall meet not  
20          less than once each fiscal year, and shall otherwise  
21          interact regularly, with State authorizing agencies,  
22          State attorneys general, State approving agencies  
23          designated under section 3671 of title 38, United  
24          States Code, veterans service organizations, and con-

1       sumer advocates to carry out the purposes described  
2       in subsection (a)(2).

3       “(c) DIRECTOR.—The Chairperson shall appoint a  
4 full-time executive director to support the Committee and  
5 may appoint and fix the pay of additional staff as the  
6 Chairperson considers appropriate.”.

7 **SEC. 303. ESTABLISHMENT AND MAINTENANCE OF COM-**  
8                   **PLAINT RESOLUTION AND TRACKING SYS-**  
9                   **TEM.**

10       (a) COMPLAINT TRACKING SYSTEM.—Title I (20  
11 U.S.C. 1001 et seq.) is amended by adding at the end  
12 the following:

13           **“PART F—COMPLAINT TRACKING SYSTEM**

14 **“SEC. 161. COMPLAINT TRACKING SYSTEM.**

15       “(a) DEFINITIONS.—In this section:

16           “(1) COMPLAINANT.—The term ‘complainant’  
17 means an individual making a complaint, or report  
18 of suspicious activity, through the complaint track-  
19 ing system.

20           “(2) COMPLAINT TRACKING SYSTEM.—The  
21 term ‘complaint tracking system’ means the tracking  
22 system established under subsection (b).

23           “(3) THIRD-PARTY SERVICER.—The term  
24 ‘third-party servicer’ has the meaning given the term  
25 in section 481(c).

1 “(b) IN GENERAL.—The Secretary shall—

2 “(1) establish and operate, in coordination with  
3 the Student Loan Ombudsman, a complaint tracking  
4 system that includes a single, toll-free telephone  
5 number and a website to facilitate the centralized  
6 collection of, monitoring of, and response to com-  
7 plaints or reports of suspicious activity regarding—

8 “(A) Federal student financial aid and the  
9 servicing of postsecondary education loans by  
10 loan servicers;

11 “(B) educational practices and services of  
12 institutions of higher education or third-party  
13 servicers; and

14 “(C) the recruiting and marketing prac-  
15 tices of institutions of higher education or  
16 third-party servicers; and

17 “(2) ensure that—

18 “(A) complaints or reports submitted by  
19 students, borrowers of student loans, staff of  
20 loan servicers, institutions of higher education,  
21 or third-party servicers, or the general public—

22 “(i) may remain anonymous if the  
23 complainant so chooses, including by pro-  
24 viding complainants with an option for the  
25 individual complaint to not be reported to

1 the loan servicer, institution, or third-party  
2 servicer, as the case may be; and

3 “(ii) may describe problems that are  
4 systematic in nature and not associated  
5 with a particular student or institution;

6 “(B) complaints and reports are provided  
7 to the loan servicers, institutions of higher edu-  
8 cation, or third-party servicers that are the sub-  
9 ject of such complaints or reports;

10 “(C) such loan servicer, institution of high-  
11 er education, or third-party servicer provides a  
12 timely response to the complainant; and

13 “(D) the complaint tracking system has  
14 the capacity to retrieve, search, and categorize  
15 complaints or reports for purposes of identi-  
16 fying problematic trends and systemic practices.

17 “(c) HANDLING OF COMPLAINTS OR REPORTS.—

18 “(1) IN GENERAL.—The Secretary shall estab-  
19 lish, in consultation with the heads of appropriate  
20 agencies (including the Director of the Bureau of  
21 Consumer Financial Protection), reasonable proce-  
22 dures to provide a timely response to individuals who  
23 file a complaint or report of suspicious activity in  
24 the complaint tracking system.

1           “(2) TIMELY RESPONSE TO COMPLAINTS.—The  
2           Secretary shall provide a response to a complainant  
3           not more than 90 days after receiving the complaint,  
4           or report of suspicious activity, through the system,  
5           in writing where appropriate. Each response shall  
6           include a description of—

7                   “(A) the steps that have been taken by the  
8           Secretary in response to the complaint or re-  
9           port;

10                   “(B) any responses received by the Sec-  
11           retary from the loan servicer, institution of  
12           higher education, or third-party servicer; and

13                   “(C) any additional actions that the Sec-  
14           retary has taken, or plans to take, in response  
15           to the complaint or report.

16           “(3) TIMELY RESPONSE TO SECRETARY BY IN-  
17           STITUTION OF HIGHER EDUCATION OR SERVICER.—

18                   “(A) NOTICE.—If the Secretary deter-  
19           mines that it is necessary, the Secretary shall—

20                           “(i) notify a loan servicer, institution  
21                           of higher education, or third-party servicer  
22                           that is the subject of a complaint, or re-  
23                           port of suspicious activity, through the  
24                           complaint tracking system regarding the  
25                           complaint or report; and

1                   “(ii) directly address and resolve the  
2                   complaint or report in the system.

3                   “(B) INSTITUTION OR SERVICER RE-  
4                   SPONSE.—Not later than 60 days after receiv-  
5                   ing a notice under subparagraph (A), a loan  
6                   servicer, institution of higher education, or  
7                   third-party servicer shall provide a response to  
8                   the Secretary concerning the complaint or re-  
9                   port, including—

10                   “(i) the steps that have been taken by  
11                   the loan servicer, institution, or third-party  
12                   servicer to respond to the complaint or re-  
13                   port;

14                   “(ii) all responses received by the loan  
15                   servicer, institution, or third-party servicer  
16                   from the complainant; and

17                   “(iii) any additional actions that the  
18                   loan servicer, institution, or third-party  
19                   servicer has taken, or plans to take, in re-  
20                   sponse to the complaint or report.

21                   “(C) FURTHER INVESTIGATION.—In the  
22                   event that a complaint or report received by the  
23                   complaint tracking system is not adequately re-  
24                   solved or addressed by the responses of the loan  
25                   servicer, institution of higher education, or

1 third-party servicer under subparagraph (B),  
2 the Secretary may—

3 “(i) ask additional questions of such  
4 loan servicer, institution, or third-party  
5 servicer; or

6 “(ii) seek additional information from  
7 or action by the loan servicer, institution,  
8 or third-party servicer.

9 “(4) PROVISION OF INFORMATION.—

10 “(A) IN GENERAL.—A loan servicer, insti-  
11 tution of higher education, or third-party  
12 servicer shall, in a timely manner, comply with  
13 a request by the Secretary for information in  
14 the control or possession of such loan servicer,  
15 institution, or third-party servicer, respectively,  
16 concerning a complaint or report of suspicious  
17 activity received by the Secretary under the  
18 complaint tracking system, including supporting  
19 written documentation, subject to subparagraph  
20 (B).

21 “(B) EXCEPTIONS.—A loan servicer, insti-  
22 tution of higher education, or third-party  
23 servicer shall not be required to make available  
24 under this paragraph—

1           “(i) any nonpublic or confidential in-  
2           formation, including any confidential com-  
3           mercial information;

4           “(ii) any information collected by the  
5           loan servicer, institution, or third-party  
6           servicer for the purpose of preventing  
7           fraud or detecting or making any report  
8           regarding other unlawful or potentially un-  
9           lawful conduct; or

10           “(iii) any information required to be  
11           kept confidential by any other provision of  
12           law.

13           “(5) COMPLIANCE.—A loan servicer, institution  
14           of higher education, or third party servicer shall  
15           comply with the requirements to provide responses  
16           and information, in accordance with this subsection,  
17           as a condition of receiving funds under title IV or  
18           as a condition of the contract with the Department,  
19           as applicable.

20           “(d) TRANSPARENCY.—

21           “(1) DATA PUBLICATION.—The Secretary shall,  
22           on an annual basis, publish data on the website of  
23           the Department that shall include, for each loan  
24           servicer, institution, and third-party servicer—

1           “(A) the number of complaints and reports  
2 received;

3           “(B) the types of complaints and reports  
4 received;

5           “(C) information about the resolution of  
6 the complaints and reports; and

7           “(D) if the complainant consents, the nar-  
8 rative content of the complaint or report.

9           “(2) REPORT.—Each year, the Secretary shall  
10 prepare and submit to the authorizing committees a  
11 report describing—

12           “(A) the types and nature of complaints or  
13 reports the Secretary has received under the  
14 complaint tracking system;

15           “(B) the extent to which complainants are  
16 receiving adequate resolution pursuant to this  
17 section;

18           “(C) whether particular types of com-  
19 plaints or reports are more common in a given  
20 sector of institutions of higher education or  
21 with particular loan servicers or third-party  
22 servicers;

23           “(D) any concerning trends or systemic  
24 practices identified;



1 (B) by striking “status, and” and inserting  
2 “status,”;

3 (C) by inserting “, and the institution’s  
4 compliance with all other eligibility require-  
5 ments in accordance with paragraph (2),” after  
6 “an institution of higher education”; and

7 (D) by adding at the end the following:

8 “(2) COMPLIANCE.—

9 “(A) IN GENERAL.—In making a deter-  
10 mination of institutional eligibility under this  
11 section, the Secretary shall—

12 “(i) require that an institution dem-  
13 onstrate compliance with each provision re-  
14 quired under this title in order to receive  
15 a full, non-provisional certification of eligi-  
16 bility for purposes of this section;

17 “(ii) reflect that an institution is not  
18 entitled to continued participation in pro-  
19 grams under this title absent a demonstra-  
20 tion of full compliance; and

21 “(iii) determine that an institution is  
22 not eligible for participation in programs  
23 under this title if it is not in full compli-  
24 ance with section 487(a)(16).”; and

25 (2) in subsection (f)—

1 (A) by striking “The Secretary shall en-  
2 sure” and inserting the following:

3 “(1) IN GENERAL.—The Secretary shall en-  
4 sure”; and

5 (B) by striking “The personnel” and in-  
6 serting the following: “The Secretary shall not  
7 automatically certify or recertify an institution  
8 for participation in a program under this title  
9 as a result of delay in conducting a full review  
10 of the institution’s application.

11 “(2) SITE VISITS.—The personnel”.

12 (b) PROVISIONAL CERTIFICATION OF HIGH-RISK IN-  
13 STITUTIONS.—Section 498 (20 U.S.C. 1099c) is amend-  
14 ed—

15 (1) in subsection (h)—

16 (A) in paragraph (1)(B)—

17 (i) in clause (ii), by striking “or”  
18 after the semicolon;

19 (ii) in clause (iii), by striking the pe-  
20 riod at the end and inserting a semicolon;  
21 and

22 (iii) by adding at the end the fol-  
23 lowing:

24 “(iv) the institution has violated any  
25 requirement of this title;

1           “(v) the institution has violated the  
2           terms of its program participation agree-  
3           ment under section 487; or

4           “(vi) the Secretary determines that  
5           the institution’s continued participation in  
6           programs under this title poses a signifi-  
7           cant risk to students and taxpayers.”;

8           (B) by redesignating paragraphs (2) and  
9           (3) as paragraphs (3) and (4), respectively; and

10          (C) by inserting after paragraph (1) the  
11          following:

12          “(2) ADDITIONAL CONDITIONS.—The Secretary  
13          shall require a provisionally certified institution to  
14          comply with such additional conditions as the Sec-  
15          retary determines necessary or appropriate based on  
16          the circumstances of the institution, as specified in  
17          the institution’s program participation agreement  
18          under section 487.”;

19          (2) by redesignating subsections (i), (j), and (k)  
20          as subsections (j), (k), and (l), respectively; and

21          (3) by inserting after subsection (h) the fol-  
22          lowing:

23          “(i) TERMINATION ACTION.—If an institution that is  
24          provisionally certified under subsection (h) is unable to  
25          meet its responsibilities under its program participation

1 agreement or is in violation of any requirement established  
2 under this title (including if the institution has engaged  
3 in substantial misrepresentations), or if a final adminis-  
4 trative finding or judicial judgment determines that the  
5 institution violated a State or Federal consumer protection  
6 law or regulation, the Secretary may terminate the institu-  
7 tion’s participation in the programs under this title.”.

8 (c) PROGRAM PARTICIPATION AGREEMENT  
9 CLAIMS.—

10 (1) FALSE CLAIMS.—Section 487(c) (20 U.S.C.  
11 1094(e)) is amended by adding at the end the fol-  
12 lowing:

13 “(8) FALSE CLAIMS.—

14 “(A) IN GENERAL.—An institution that submits  
15 a misrepresentation or false claim on an application  
16 for funds under this title, or knowingly (as defined  
17 in section 3729 of title 31, United States Code) fails  
18 to comply with the requirements of the program par-  
19 ticipation agreement under this section, shall be sub-  
20 ject to sections 3729 through 3733 of such title.

21 “(B) AMOUNT OF DAMAGES.—For purposes of  
22 section 3729(a) of title 31, United States Code, the  
23 amount of damages that the Government sustains  
24 because of the act of the institution described in  
25 subparagraph (A) shall be the total amount of funds

1 distributed to the institution for loans made to stu-  
2 dents under part D during the period beginning on  
3 the date of the submission of the application or the  
4 failure to comply (as the case may be) and ending  
5 on the date on which a final decision finding a viola-  
6 tion of section 3729 of such Code is made.”.

7 (2) CERTIFICATION OF COMPLIANCE.—Para-  
8 graph (21) of section 487(a) (20 U.S.C.  
9 1094(a)(21)) is amended to read as follows:

10 “(21) The institution—

11 “(A) acknowledges that the agreement cer-  
12 tifies the institution’s compliance with all terms  
13 of the program participation agreement and all  
14 applicable Federal laws and regulations that  
15 govern an institution’s eligibility to receive  
16 funds under this title;

17 “(B) agrees that any violation of the terms  
18 of a program participation agreement or any  
19 other Federal law or regulation described in  
20 subparagraph (A) constitutes material non-  
21 compliance with a condition of payment; and

22 “(C) will meet the requirements estab-  
23 lished by the Secretary and accrediting agencies  
24 or associations, and will provide evidence to the

1 Secretary that the institution has the authority  
2 to operate within a State.”.

3 **SEC. 305. STATE OVERSIGHT.**

4 (a) IN GENERAL.—Section 101 (20 U.S.C. 1001) is  
5 amended—

6 (1) in subsection (a)—

7 (A) by redesignating paragraphs (3), (4),  
8 and (5) as paragraphs (4), (5), and (6), respec-  
9 tively; and

10 (B) by inserting after paragraph (2) the  
11 following:

12 “(3) if providing education through distance  
13 education or correspondence in a State in which the  
14 institution is not located—

15 “(A) meets the requirements of such State  
16 for offering postsecondary education; or

17 “(B) if the institution is authorized by a  
18 State pursuant to an interstate reciprocity  
19 agreement—

20 “(i) the institution must have fewer  
21 than 200 students in such State enrolled  
22 annually;

23 “(ii) the agreement must allow States  
24 to enforce all non-registration and non-fee

1 laws with respect to out-of-State institu-  
2 tions; and

3 “(iii) decisions regarding eligibility to  
4 participate in the reciprocity agreement  
5 and the standards that apply to partici-  
6 pating institutions shall be made exclu-  
7 sively by representatives of member State  
8 regulatory agencies or State attorneys gen-  
9 eral offices;”; and

10 (2) in subsection (b)(1), by striking “para-  
11 graphs (1), (2), (4), and (5) of subsection (a)” and  
12 inserting “paragraphs (1), (2), (3), (5), and (6) of  
13 subsection (a)”.

14 (b) CONFORMING AMENDMENTS.—Section 102 (20  
15 U.S.C. 1002) is amended—

16 (1) in subsection (a)(2)(A), by striking “section  
17 101(a)(4)” each place the term appears and insert-  
18 ing “section 101(a)(5)”;

19 (2) in subsection (b)(1)—

20 (A) in subparagraph (B), by striking  
21 “paragraphs (1) and (2) of section 101(a)” and  
22 inserting “paragraphs (1), (2), and (3) of sec-  
23 tion 101(a)”;

1 (B) in subparagraph (C), by striking  
2 “paragraph (4) of section 101(a)” and inserting  
3 “paragraph (5) of section 101(a)”; and  
4 (3) in subsection (e)(1)(B), by striking “re-  
5 quirements of paragraphs (1), (2), (4), and (5) of  
6 section 101(a)” and inserting “requirements of  
7 paragraphs (1), (2), (3), (5), and (6) of section  
8 101(a)”.

9 **SEC. 306. ACCREDITING AGENCY OVERSIGHT.**

10 Section 496(c) (20 U.S.C. 1099b(c)) is amended—

11 (1) in paragraph (8), by striking “and” after  
12 the semicolon;

13 (2) in paragraph (9)(B), by striking the period  
14 at the end and inserting “; and”; and

15 (3) by adding at the end the following:

16 “(10)(A) assesses the risk to students of any  
17 institution or program, including assessing the risk  
18 to students and institutions of any program man-  
19 aged by a third-party servicer, in accordance with  
20 factors provided by the Secretary;

21 “(B) effectively determines whether each such  
22 institution or program warrants additional oversight  
23 or action; and

24 “(C) provides adequate monitoring of the qual-  
25 ity and risk of such institutions or programs.”.

1 **SEC. 307. MANDATORY SPENDING FOR ADMINISTRATIVE**  
2 **COSTS OF OPERATING THE STUDENT AID**  
3 **PROGRAMS.**

4 Paragraph (3) of section 458(a) (20 U.S.C.  
5 1087h(a)(3)) is amended to read as follows:

6 “(3) FUNDS FOR ADMINISTRATIVE COSTS.—

7 “(A) IN GENERAL.—Each fiscal year, there  
8 shall be available to the Secretary from funds  
9 not otherwise appropriated, funds to be obli-  
10 gated for administrative costs under this part,  
11 including the costs of the student loan program  
12 under this part, except that the total expendi-  
13 tures by the Secretary under this subparagraph  
14 shall not exceed 5 percent of the amount of the  
15 average outstanding Federal student loan port-  
16 folio under this part for the preceding fiscal  
17 year.

18 “(B) AVAILABILITY.—Funds made avail-  
19 able under subparagraph (A) shall remain avail-  
20 able until expended. The Secretary is author-  
21 ized to use funds available under this para-  
22 graph for a fiscal year for a subsequent fiscal  
23 year.

24 “(C) BUDGET.—No funds may be ex-  
25 pended under this paragraph unless the Sec-  
26 retary includes in the annual budget request of

1 the Department to Congress a detailed descrip-  
2 tion of—

3 “(i) the specific activities for which  
4 the funds made available by this paragraph  
5 have been used in the most recent fiscal  
6 year;

7 “(ii) the activities and costs planned  
8 for the fiscal year for which the request is  
9 made; and

10 “(iii) the projection of activities and  
11 costs for the fiscal year immediately fol-  
12 lowing the fiscal year for which adminis-  
13 trative expenses under this paragraph are  
14 made available.”.

15 **TITLE IV—IMPROVING ACCESS**  
16 **TO STUDENT AND TAXPAYER**  
17 **INFORMATION**

18 **SEC. 401. REPORTING AND DISCLOSURES FROM INSTITU-**  
19 **TIONS OF HIGHER EDUCATION.**

20 (a) GAINFUL EMPLOYMENT AND FINANCIAL VALUE  
21 TRANSPARENCY DISCLOSURES AND WARNINGS.—Section  
22 498C, as added by section 101(b), is amended—

23 (1) by redesignating subsection (e) as sub-  
24 section (f); and

1           (2) by inserting after subsection (d) the fol-  
2           lowing:

3           “(e) DISCLOSURES AND WARNINGS.—

4           “(1) IN GENERAL.—For each gainful employ-  
5           ment program or graduate or professional degree  
6           program of an institution that does not meet the  
7           standards described in subsection (b), the institution  
8           shall—

9           “(A) provide warnings to prospective stu-  
10           dents and enrolled students of the institution  
11           regarding the failing program status in a man-  
12           ner specified by the Secretary; and

13           “(B) shall require prospective students to  
14           acknowledge receipt of the warning.

15           “(f) DISCLOSURE.—An institution of higher edu-  
16           cation shall provide the link to the website described in  
17           subsection (c)(2)(A)(ii) to prospective and enrolled stu-  
18           dents in a manner specified by the Secretary.”.

19           (b) INSTRUCTIONAL SPENDING DATA AND DISCLO-  
20           SURES.—Section 132 (20 U.S.C. 1015a) is amended—

21           (1) by redesignating subsection (l) as subsection  
22           (n); and

23           (2) by inserting after subsection (k) the fol-  
24           lowing:

1           “(1) INVESTMENTS IN INSTRUCTION AND STUDENT  
2 SERVICES.—

3           “(1) INSTITUTIONAL EXPENDITURES.—

4           “(A) IN GENERAL.—The Secretary shall  
5 establish definitions for calculating instructional  
6 expenditures that shall separately account for  
7 the expenditures of an institution of higher edu-  
8 cation on each of the following:

9                   “(i) Instruction.

10                   “(ii) Student services.

11                   “(iii) Marketing.

12                   “(iv) Recruitment.

13                   “(v) Advertising.

14                   “(vi) Lobbying.

15           “(B) EXCLUSIONS.—Expenditures on in-  
16 struction and student services, as defined in ac-  
17 cordance with clauses (i) and (ii) of subpara-  
18 graph (A), shall not include expenditures on  
19 marketing, recruitment, advertising, compensa-  
20 tion of executives or officers, or lobbying, or  
21 other pre-enrollment expenditures.

22           “(2) REPORTING.—Each institution of higher  
23 education receiving Federal funds under title IV  
24 shall report to the Secretary—

1           “(A) the total dollar amount of title IV  
2 funds received by the institution;

3           “(B) the proportion of title IV funds spent  
4 on recruitment activities and marketing activi-  
5 ties;

6           “(C) the proportion of title IV funds spent  
7 on instruction and student services; and

8           “(D) for each program of education or di-  
9 vision of the institution for which the tuition is  
10 charged, the price of tuition relative to the in-  
11 stitution’s allocation of revenues to spending on  
12 instruction and student services.

13           “(3) DISCLOSURES BY THE DEPARTMENT OF  
14 EDUCATION.—The Secretary shall make the disclo-  
15 sures reported under paragraph (2) publicly avail-  
16 able on the College Navigator website.”.

17           “(c) TRANSPARENCY OF ONLINE PROGRAMS.—Section  
18 132 (20 U.S.C. 1015a), as amended by subsection (b), is  
19 further amended by inserting after subsection (l), as  
20 added by subsection (b)(2), the following:

21           “(m) IMPROVING TRANSPARENCY FOR ONLINE AND  
22 CONTRACTED PROGRAMS.—

23           “(1) ANNUAL REPORTING REQUIREMENTS FOR  
24 THIRD-PARTY SERVICER ACTIVITIES.—Each institu-  
25 tion of higher education that receives Federal funds

1 under title IV shall report annually to the Sec-  
2 retary—

3 “(A) the name of each third-party servicer  
4 with which the institution contracts; and

5 “(B) for each such third-party servicer—

6 “(i) the names of any programs for  
7 which each such third-party servicer is con-  
8 tracted to provide support;

9 “(ii) the services each such third-  
10 party servicer is contracted to offer for  
11 each program;

12 “(iii) the number of students enrolled  
13 in any program for which the third-party  
14 servicer is contracted to provide services;

15 “(iv) whether the third-party servicer  
16 administers or provides any private or in-  
17 stitutional student loan products; and

18 “(v) the third-party servicer’s total ex-  
19 penditures on advertising, marketing, and  
20 recruiting on behalf of the institution.

21 “(2) DISCLOSURE REQUIREMENTS.—If an insti-  
22 tution of higher education receiving Federal funds  
23 under title IV contracts with a third-party servicer  
24 to offer one or more programs of education, and  
25 such third-party servicer provides recruitment activi-

1 ties, retention activities, or similar activities (as  
2 specified by the Secretary) for the program—

3 “(A) the institution and third-party  
4 servicer shall prominently disclose for each such  
5 program of education, in a manner specified by  
6 the Secretary and using language developed by  
7 the Secretary, the nature of the relationship be-  
8 tween the institution and third-party servicer—

9 “(i) in advertisements;

10 “(ii) in marketing materials; and

11 “(iii) on the website of the institution;

12 and

13 “(B) individuals who are employed by the  
14 third-party servicer to provide admissions, re-  
15 cruitment, retention, or advising activities shall  
16 prominently disclose to prospective or enrolled  
17 students that the individuals are employees of  
18 that third-party servicer and not the institution,  
19 including in any communication about the pro-  
20 gram of education.

21 “(3) ANNUAL REPORTING REQUIREMENTS FOR  
22 ONLINE EDUCATION.—Each institution of higher  
23 education receiving Federal funds under title IV  
24 shall report annually to the Secretary—

1           “(A) the institution’s expenditures on ac-  
2           tivities to secure enrollments for each online,  
3           on-campus, and hybrid program, and its total  
4           expenditures for all activities of the institution;

5           “(B) the status of each student receiving  
6           Federal student aid as enrolled online, on-cam-  
7           pus, or in a combination of both modalities, suf-  
8           ficient for the Secretary to calculate the total  
9           student enrollment, retention and completion  
10          rates, student loan borrowing levels, student  
11          loan repayment outcomes, and median earnings  
12          for each such program; and

13          “(C) the annual net price charged for each  
14          such program.”.

15          (d) DISCLOSURE OF MATERIAL FACTS FOR PROPRI-  
16          ETARY INSTITUTIONS.—Section 498(c) (20 U.S.C.  
17          1099c(c)), as amended by section 203, is further amended  
18          by adding at the end the following:

19          “(8)(A) The Secretary shall require each proprietary  
20          institution of higher education (as defined in section  
21          102(e)) to file promptly with the Secretary—

22                 “(i) all public filings that the institution files  
23                 with the Securities and Exchange Commission that  
24                 include references to matters that affect students,  
25                 including—

1 “(I) mergers and acquisitions;  
2 “(II) changes of ownership;  
3 “(III) changes of leadership and board  
4 membership;  
5 “(IV) school or campus closings;  
6 “(V) civil lawsuits;  
7 “(VI) law enforcement actions, investiga-  
8 tions, subpoenas, and demand letters; and  
9 “(VII) material change in financial status;  
10 and  
11 “(ii) in the case of an institution that is not re-  
12 quired to make disclosures to the Securities and Ex-  
13 change Commission, notifications regarding matters  
14 that affect students similar to the filings described  
15 in clause (i), in a form and manner determined by  
16 the Secretary.  
17 “(B) The Secretary shall promptly make all informa-  
18 tion received under subparagraph (A) available on the  
19 website of the Department.”.

20 **SEC. 402. TRANSPARENCY OF OVERSIGHT ACTIVITIES.**

21 (a) BORROWER DEFENSE CLAIMS AND DISCHARGES  
22 DATA.—Section 455(h) (20 U.S.C. 1087e(h)), as amend-  
23 ed by section 102(a), is further amended—

24 (1) by redesignating paragraph (8) as para-  
25 graph (9); and

1           (2) by inserting after paragraph (7) the fol-  
2           lowing:

3           “(8) TRANSPARENCY.—The Secretary shall  
4           make publicly available, and keep regularly updated,  
5           information regarding the number of borrower de-  
6           fense claims filed and discharges granted,  
7           disaggregated by institution of attendance, State of  
8           residence as of the date of the claim, student loan  
9           servicer, and the amount of discharge and reim-  
10          bursement, based on increments of not less than  
11          \$10,000.”.

12          (b) 90/10 RULE TRANSPARENCY.—Paragraph (3) of  
13          section 487(d) (20 U.S.C. 1094(d)(3)) is amended—

14           (1) by redesignating subparagraphs (A) and  
15           (B) as clauses (i) and (ii), respectively, and adjust-  
16           ing the margins appropriately;

17           (2) by striking “The Secretary” and inserting  
18           the following:

19                   “(A) PUBLIC DISCLOSURE OF FAILURE TO  
20                   MEET REQUIREMENTS.—The Secretary”; and

21           (3) by adding at the end the following:

22                   “(B) PUBLIC DISCLOSURE OF 90/10  
23                   DATA.—

24                           “(i) IN GENERAL.—The Secretary  
25                           shall publicly disclose on the website of the

1 Department the data provided by propri-  
2 etary institutions for purposes of this sub-  
3 section (referred to in this subparagraph  
4 as the ‘90/10 database’) in a prompt, com-  
5 prehensive, and user-friendly manner.

6 “(ii) TEMPORARY OMISSIONS.—If any  
7 data for a proprietary of institution re-  
8 quired to be disclosed under clause (i) is  
9 omitted because of issues unresolved at a  
10 given deadline of the Secretary, the Sec-  
11 retary shall—

12 “(I) include, in the 90/10 data-  
13 base on the College Navigator website,  
14 a notice that the information is omit-  
15 ted for such proprietary institution  
16 and a clear explanation of the reason  
17 for the delay; and

18 “(II) timely amend the 90/10  
19 database to include the information  
20 required to be disclosed for the rel-  
21 evant reporting period.”.

22 (c) CHANGE OF OWNERSHIP AND CONVERSION  
23 TRANSPARENCY.—Section 498(j) (20 U.S.C. 1099c(j)), as  
24 redesignated by section 304(b)(2), is further amended by  
25 adding at the end the following:

1 “(5) The Secretary shall promptly disclose on the  
2 website of the Department—

3 “(A) any application for a change of ownership  
4 of an institution or for a conversion of an institution  
5 from proprietary to nonprofit status; and

6 “(B) any decision by the Secretary regarding  
7 approval or disapproval of a change of ownership ap-  
8 plication, or an application for conversion from pro-  
9 prietary to nonprofit status, and all external commu-  
10 nications describing or explaining those decisions.”.

11 (d) TRANSPARENCY IN FINANCIAL STANDING OF IN-  
12 STITUTIONS.—Section 498(c) (20 U.S.C. 1099c(c)), as  
13 amended by section 401(d), is further amended by adding  
14 at the end the following:

15 “(9) The Secretary shall promptly post on the De-  
16 partment website, for all institutions participating in a  
17 program under this title—

18 “(A) the annual audited financial statements  
19 submitted by each institution under this section and  
20 a list of any institutions that have failed to timely  
21 submit audited financial statements;

22 “(B)(i) the terms, amounts, and withdrawals  
23 for letters of credit and other sureties required of in-  
24 stitutions of higher education under paragraph (3),  
25 including by providing updates as new financial

1 guarantees are required and as changes are made to  
2 existing agreements; and

3 “(ii) all external communications between insti-  
4 tutions of higher education and the Department de-  
5 scribing or implementing the Secretary’s require-  
6 ments or determinations regarding financial guaran-  
7 tees under paragraph (3); and

8 “(C)(i) each decision of the Secretary as to the  
9 imposition or removal of heightened cash monitoring  
10 status and other financial protections regarding an  
11 institution; and

12 “(ii) all external communications between insti-  
13 tutions of higher education and the Department de-  
14 scribing or implementing such decisions.”.

15 (e) INSTITUTIONAL PARTICIPATION IN THE TITLE IV  
16 PROGRAMS.—Section 498 (20 U.S.C. 1099e) is amended  
17 by adding at the end the following:

18 “(m) TRANSPARENCY.—The Secretary shall post on  
19 the Department website the full program participation  
20 agreement under section 487 for each institution that en-  
21 ters into such an agreement and shall indicate if the insti-  
22 tution is on provisional, temporary provisional, or expired  
23 certification status.”.

24 (f) ACCREDITING AGENCY TRANSPARENCY.—Section  
25 496 (20 U.S.C. 1099b) is amended—

1 (1) in subsection (o)—

2 (A) by inserting after “REGULATIONS.—”

3 the following:

4 “(1) IN GENERAL.—”; and

5 (B) by adding at the end the following:

6 “(2) DISCLOSURES.—

7 “(A) IN GENERAL.—The Secretary shall  
8 publicly disclose on the Department’s website—

9 “(i) all of the Department’s draft and  
10 final accrediting agency or association rec-  
11 ognition reports, and monitoring reports  
12 and investigations of any accrediting agen-  
13 cy or association, under this section; and

14 “(ii) the reports and accompanying  
15 exhibits that each accreditation agency or  
16 association submits to the Department in  
17 the course of recognition and re-recog-  
18 nition reviews under this section.

19 “(B) DISCLOSURE REQUIREMENTS.—The  
20 Secretary shall disclose the information re-  
21 quired under subparagraph (A) promptly, so  
22 that members of the public may thoroughly and  
23 timely respond via public comment in the  
24 course of Department reviews of accrediting  
25 agencies and associations.”; and

1 (2) by adding at the end the following:

2 “(r) TRANSPARENCY OF ACCREDITING AGENCY OR  
3 ASSOCIATION ACTIONS.—

4 “(1) IN GENERAL.—An accrediting agency or  
5 association recognized by the Secretary under this  
6 section shall promptly post on the website of the ac-  
7 crediting agency or association and shall submit to  
8 the Department, all communications sent from the  
9 accrediting agency or association to an institution  
10 explaining, or informing an institution of, an action  
11 taken by the agency with respect to the institution,  
12 including—

13 “(A) to impose or remove a status of pro-  
14 bation, warning, concern, stipulation, or report-  
15 ing, or similar status;

16 “(B) to impose or revoke a show cause  
17 order; or

18 “(C) to impose or revoke a limitation, sus-  
19 pension, or termination action.

20 “(2) NO REDACTION.—The communication  
21 posted and submitted under paragraph (1) shall be  
22 without redaction, except for personally identifiable  
23 information.

24 “(3) DISCLOSURE BY THE SECRETARY.—The  
25 Secretary shall promptly publicly disclose on the

1 website of the Department all communications sub-  
2 mitted pursuant to paragraph (1).”.

○