Federal Update

Amber Johnson | March, 2016
U.S. Department of Education
PASFAA Spring Training
## Agenda

<table>
<thead>
<tr>
<th>Regulatory Update</th>
<th>Perkins Loan Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Prior Year</td>
<td>GE</td>
</tr>
<tr>
<td>2016-17 Processing Update</td>
<td>Dear Colleague Letters</td>
</tr>
<tr>
<td>CDRs</td>
<td>Electronic Announcements</td>
</tr>
</tbody>
</table>
Regulatory Update
Recent & Upcoming Regulatory Efforts

- Program Integrity and Improvement (Cash Management)
- Teacher Preparation
- Borrower Defenses
Program Integrity and Improvement

• Final regulations published in October 2015
• Effective July 1, 2016
• Cash management
  • Debit card provisions
  • Other cash management-related changes
Program Integrity and Improvement

Cash management provisions ensure students

• Have convenient access to their Title IV, HEA program funds
• Do not incur unreasonable and uncommon financial account fees
• Are not led to believe they must open a particular financial account to receive their Federal student aid
Need for Regulatory Action
Proliferation of Campus Cards

• Passage of CARD Act restricting credit card marketing, preferred lender lists, declining State funding
• Widespread increase of debit and prepaid card agreements
• Marketed as way for students to receive credit balance refunds
• Typically on student IDs or co-branded cards
Government and Consumer Investigations

• 2012 USPIRG report identified several troubling practices in this market
• Later confirmed by Government Accountability Office, ED Inspector General, Consumers Union
• Enforcement actions by FDIC, Federal Reserve
• Troubling practices included unfair fees, misrepresentation, and transmission of private student information without consent
Impact of Agreements

Source: Government Accountability Office
Debit Card Provisions
### Overview of Regulations

<table>
<thead>
<tr>
<th>Require convenient access to aid</th>
<th>Prohibit fees uncommon in market</th>
<th>Require disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other updates to modernize</td>
<td>Most provisions effective July 1, 2016</td>
<td>Two provisions delayed until 2017</td>
</tr>
</tbody>
</table>
Who is covered?

Tier 1 (T1) Arrangement

• U.S. school with third-party servicer;
• Servicer processes Title IV aid; and
• Aid disbursed to contracted account; or
• Information about contracted account is provided to student

Tier 2 (T2) Arrangement

• U.S. school that has a contract with provider;
• Provider is not a third-party servicer;
• One or more Title IV credit balance recipient(s); and
• Product is marketed to students through school communication, student IDs, or co-branded cards
Overview of new requirements

**All T1 and T2**
- Student choice menu
- No automatic opening of accounts
- Privacy restrictions
- Contract disclosure

**All T1**
- ATM network
- Fee restrictions
- Contracts negotiated in best interest of students
- Average student cost disclosure

**T2 (more than de minimis)**
- Fee-free ATM
- Contracts negotiated in best interest of students
- Average student cost disclosure
Other Cash Management Provisions
### Overview of Changes

<table>
<thead>
<tr>
<th>Change</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prohibit practices that risk loss of Federal funds, sweeps</td>
<td>Reimbursement/HCM: must pay credit balances before requesting funds</td>
</tr>
<tr>
<td>Provide flexibility for foreign-school depository accounts</td>
<td>Eliminate investment accounts</td>
</tr>
<tr>
<td>Credit account to pay only for allowable charges associated with the payment period</td>
<td>Adopt OMB guidance for interest-bearing depository accounts</td>
</tr>
<tr>
<td>Third-party servicers must confirm eligibility if they conduct certain activities</td>
<td>Cost of books and supplies can be included as part of tuition and fees</td>
</tr>
<tr>
<td>Reimbursement/HCM: cannot hold credit balances, even with authorization</td>
<td>Provide flexibility for prior-year charges</td>
</tr>
</tbody>
</table>
Other Program Integrity and Improvement Provisions

• Clarify how previously passed coursework is treated for Title IV eligibility purposes
• Streamline requirements for converting clock hours to credit hours
Violence Against Women Act (VAWA)

• Signed by President on March 7, 2013
• Final rules published on October 20, 2014
• Regulations became effective July 1, 2015
Violence Against Women Act (VAWA)

Requires institutions to

• Maintain statistics on dating violence, domestic violence, sexual assault, and stalking

• Provide prevention and awareness campaigns and describe them in annual security reports
Violence Against Women Act (VAWA)

• Requires institutions to provide
  • Prompt, fair, and impartial disciplinary proceeding
  • Requirements governing that proceeding
  • Information and support services to victims

• ED revising Clery Handbook to reflect VAWA regulations
Borrower Defenses

- Two September 2015 public hearings in Washington and San Francisco
- Federal Register Notice announcing negotiator nominations and schedule of committee meetings published on October 20, 2015
- Negotiator nominations were due November 19, 2015 (33 nominations received)
Borrower Defenses

• Negotiations held
  • January 12-14, 2016
  • February 17-19, 2016
  • March 16-18, 2016

• Anticipate publishing
  • Proposed rules this summer
  • Final rules by November 1, 2016
Borrower Defenses

Negotiated Rulemaking Committee will consider

- Procedures for borrower to establish defense to repayment
- Criteria that will be used to identify acts or omissions of an institution that constitute defenses to repayment
- Standards and procedures that ED will use to determine school liability for amounts based on borrower defenses
- Effect of borrower defenses on institutional administrative capability assessments
Prior-Prior Year (PPY) & Early FAFSA Submission
Early FAFSA Submission

President’s Announcement

• FAFSA Start-Up on October 1
• Use of Prior-Prior Year (PPY) income data
• Beginning with 2017-18 FAFSA
  • October 1, 2016
  • 2015 tax year
# Changes to the FAFSA® Process for 2017-18

**Submit A FAFSA Earlier:** Students will be able to file a 2017–18 FAFSA as early as Oct. 1, 2016, rather than beginning on Jan. 1, 2017. The earlier submission date will be a permanent change, enabling students to complete and submit a FAFSA as early as October 1 every year. (There is NO CHANGE to the 2016–17 schedule. The 2016-17 FAFSA will become available January 1, 2016.)

**Use Earlier Income Information:** Beginning with the 2017–18 FAFSA, students will report income information from an earlier tax year. For example, on the 2017–18 FAFSA, students (and parents, as appropriate) will report their 2015 income information, rather than their 2016 income information. The following table provides a summary of key dates as we transition to using the early FAFSA submission timeframe and earlier tax information.

<table>
<thead>
<tr>
<th>If You Plan to Attend College From</th>
<th>You Can Submit the FAFSA From</th>
<th>Using Tax Information From</th>
</tr>
</thead>
</table>
PPY and Early FAFSA Considerations

• Outreach

• Professional Judgment
  • GEN-16-03 reminds schools of PJ authority under HEA Sec 479A

• Verification

• Conflicting Information
PPY – What **ISN’T** changing...

When

- Pell amounts are finalized/announced
- Pell charts are released
- Pell origination/disbursement records can be sent to COD
- Pell funds will be available in G5
- Award letters may be sent to students

Sec. 482 of the HEA
2016-17 Processing Update
FAFSA – List of Schools

• Names of colleges listed by applicants on FAFSAs will not be included on ISIRs sent to institutions

• Will continue to be included on ISIRs provided to state grant agencies

• Will be on SARs provided to FAFSA applicants
FAFSA – PDF Packets

• More than 99 percent of FAFSAs are filed electronically
• Will no longer print FAFSA as color packet
• PDF FAFSA available online to be printed
• Call 1-800-4FEDAI D to request copy
FFEL/Direct FY12 Cohort Default Rates
National Student Loan Default Rates

Year | Default Rate
--- | ---
2012 | 13.4%
2013 | 14.7%
2014 | 13.7%
2015 | 11.8%

Issue Date


33
## FY12 Cohort Default Rates

### School Type

<table>
<thead>
<tr>
<th>STATE</th>
<th>FY 11 CDR</th>
<th>FY 12 CDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public – Two Year</td>
<td>20.5%</td>
<td>19.1%</td>
</tr>
<tr>
<td>Public – Four Year</td>
<td>8.9%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Non-Profit – Two Year</td>
<td>15.6%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Non-Profit – Four Year</td>
<td>7.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>For-Profit – Two Year</td>
<td>20.0%</td>
<td>17.7%</td>
</tr>
<tr>
<td>For-Profit – Four Year</td>
<td>18.6%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Foreign</td>
<td>3.8%</td>
<td>3.3%</td>
</tr>
<tr>
<td>All Schools</td>
<td>13.7%</td>
<td>11.8%</td>
</tr>
</tbody>
</table>
Perkins Loan Program
Perkins Loan Program

Program ended on September 30, 2015

• No congressional action
• Schools could not make Federal Perkins Loans to new borrowers after September 30, 2015
• DCL GEN-15-03 provided guidance
Perkins Loan Program

But then the “Federal Perkins Loan Program Extension Act of 2015” happened!

- Signed by the President on December 18, 2015
- P.L. 114-105
A school may make Perkins loans through --

<table>
<thead>
<tr>
<th>Date</th>
<th>Eligibility</th>
<th>Percentage</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2017</td>
<td>Eligible current undergraduate student</td>
<td>All</td>
<td>Direct Subsidized Stafford aid</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>for which the student is eligible</td>
</tr>
<tr>
<td>September 30, 2017</td>
<td>Eligible new undergraduate student</td>
<td>All</td>
<td>Direct Subsidized and Unsubsidized aid</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>for which the student is eligible</td>
</tr>
</tbody>
</table>
**GEN-16-05**

- Effective 12/18/15, schools participating in Perkins Loan Program may make Perkins loans as specified below:

<table>
<thead>
<tr>
<th>A school may make Perkins loans through --</th>
<th>To an --</th>
<th>If the graduate student --</th>
<th>And the new Perkins loan will --</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2016</td>
<td>Eligible graduate student who has received a Perkins loan before October 1, 2015</td>
<td>Received his or her <strong>most recent</strong> Perkins Loan from the school, for enrollment in an academic program at the school.</td>
<td>Enable the graduate student to continue or complete the academic program for which the student received his or her <strong>most recent</strong> Perkins Loan.</td>
</tr>
</tbody>
</table>
GEN-16-05 – Additional Disclosures

• School must provide additional disclosures prior to first disbursement of Perkins including a notice and explanation stating
  • The end to future availability of Perkins Loan Program loans;
  • That repayment and forgiveness benefits available to Direct Loan borrowers are not available to Perkins Loan borrowers;
  • The borrower’s option to consolidate a Perkins Loan into a Direct Consolidation Loan, including any benefit of consolidation
• **For current undergraduate borrowers,** school must provide a notice and explanation
  - providing a comparison of the interest rates of Perkins Loans and Direct Loans
  - informing the borrower that the borrower has reached the maximum annual borrowing limit for Direct Subsidized Stafford Loans for which the borrower is eligible

• **For new undergraduate borrowers,** school must provide a notice and explanation
  - providing a comparison of the interest rates of Perkins Loans and Direct Loans
  - informing the borrower that the borrower has reached the maximum annual borrowing limit for Direct Subsidized and Unsubsidized Stafford Loans for which the borrower is eligible
ATB and Career Pathway Programs
ATB and Career Pathway Programs

• Allows for ability-to-benefit (ATB) alternatives for students without a high school diploma or equivalent who are enrolled in an eligible “Career Pathway Program”

• ATB
  • Pass an ED-approved ATB test
  • State process (none have ever been approved)
  • Complete six credit hours (or equivalent)
Eligible Career Pathway Program

Combines rigorous and high quality education, training and other services that

• Align with skill needs of industries in regional economy
• Prepare students to be successful in any of a full range of secondary or postsecondary education options, including apprenticeships
• Include counseling to support students in achieving education and career goals
Eligible Career Pathway Program

- Includes, as appropriate, education offered concurrently with and in the same context as workforce preparation activities and training for a specific occupation or occupational cluster
- Organizes education, training and other services to meet student’s needs in a manner that accelerates educational and career advancement
Eligible Career Pathway Program

• Enables students to attain a secondary school diploma or its recognized equivalent and at least one recognized postsecondary credential

• Helps an individual enter or advance within a specific occupation or occupational cluster
Gainful Employment
Gainful Employment

- Final rules published October 31, 2014
- Rules became effective July 1, 2015
- Published DCL GEN-15-12 summarizing GE rules
Gainful Employment Measure

Debt-to-earnings (D/E) rates

- Annual earnings D/E rate
- Discretionary Income D/E rate

Passing
Annual D/E <= 8%
OR
Discretionary D/E <= 20%

Zone
Annual D/E >8% and <= 12%
OR
Discretionary D/E >20% and <=30%

Failing
Annual D/E >12%
AND
Discretionary D/E >30%
Gainful Employment Results

Program loses eligibility if

• D/E measures – Fails in two out of three years; OR
• D/E measures – Fails or in the zone for four consecutive years
Important Dates

REPORTING
JUL 31, 2015
(For 2008/2009 to 2013/2014 Data)

OCT 01, 2015
(For 2014/2015 Data)

COMPLETERS LIST
FOR INSTITUTIONS
Spring 2016

COMPLETERS LIST
CHALLENGES DUE
FROM INSTITUTIONS
45 days

DRAFT DEBT-TO-
EARNINGS RATES
CHALLENGES DUE
FROM INSTITUTIONS
45 Day Challenge Period

RELEASE FINAL DEBT-
TO-EARNINGS RATES
TO INSTITUTIONS
WINTER 2016

DRAFT DEBT-TO-
EARNINGS RATES
TO INSTITUTIONS
SUMMER 2016
Important Dates

DISCLOSURES (UPDATES)  
JANUARY 2016

DISCLOSURES (NEW REGULATORY REQUIREMENTS)  
JANUARY 2017

PROGRAM CERTIFICATIONS  
DECEMBER 2015 & Ongoing
GE Corrections and Challenges

Important information and data –

• Completers Lists – Spring 2016
• Draft D/E Rates w/Backup Data – Summer 2016
• Final D/E Rates w/Backup Data – Winter 2016
• Regulatory timeframes for responses
GE Corrections and Challenges

Each institution must –

• Establish SAIG Mailbox for GE files

• Register for Data Challenges and Appeals Solution (DCAS) using SAIG Enrollment site
GE Disclosures

• Beginning in 2017, in addition to program information, disclosures could include:

<table>
<thead>
<tr>
<th>D/E rates</th>
<th>Percent borrowing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program cohort default rates</td>
<td>Completion rates</td>
</tr>
<tr>
<td>Loan repayment rates</td>
<td>Withdrawal rates</td>
</tr>
<tr>
<td>Median loan debt</td>
<td>Placement rates</td>
</tr>
</tbody>
</table>
Recent DCLs/Electronic Announcements
2016-17 Federal Pell Grant Payment and Disbursement Schedules

- Posted January 29, 2016
- Maximum Pell = $5,815
- Maximum Pell-eligible EFC = 5234
GEN-15-20

Direct Loan/FFEL Program Reaffirmation Agreement

• Posted October 19, 2015
• Must use new reaffirmation agreement beginning March 31, 2016
Protecting Student Information

- Posted July 29, 2015
- Institutions and their third-party servicers are obligated to protect data used in all aspects of administration of Title IV Federal student financial aid programs
Protecting Student Information

SAIG Enrollment Agreement includes provision that –

- the school must ensure that all Federal Student Aid applicant information is protected from access by or disclosure to unauthorized personnel.
- in the event of an unauthorized disclosure or an actual or suspected breach of applicant information or other sensitive information (such as PII), the school must immediately notify FSA at CPSSAIG@ed.gov.
Protecting Student Information

• Under various Federal and state laws and other authorities, including the HEA:
  • FERPA
  • the Privacy Act of 1974
  • the Gramm-Leach-Bliley Act
  • state data breach and privacy laws

• Institutions may be responsible for losses, fines and penalties (including criminal penalties) caused by data breaches
Recent Electronic Announcements

• 03/02/16 – Draft FY13 Cohort Default Rates

• 02/18/16 – Early FAFSA EA #2
  • Ways for students/parents to mitigate potential for conflicting information from 2016-17 and 2017-18 award years
  • Early FAFSA mailbox – EarlyFAFSAFeedback@ed.gov
Recent Electronic Announcements

- 01/27/16 – Process change for Federal Pell Grant administrative cost allowance payments
  - Will now be placed into G5 account
  - Grant award number P063Qxxxx

- 01/20/16 – Change to unusual enrollment history selection
  - Monitoring undergrad and grad separately
Recent Electronic Announcements

• 01/20/16 – Tentative 2016-17 funding levels for campus-based programs

• 01/19/16 – 2016-17 Financial Aid Shopping Sheet
Resources
The Intermediate Training course offers training in these specific areas of interest to more experienced financial aid administrators:

- **Beyond the Basics of Packaging: Awarding for Summer Sessions and Modules**
- **Beyond the Basics of R2T4, Including R2T4 for Modules**
- **Limits to Direct Subsidized Loan Interest Benefits**
- **Monitoring for Pell Grant LEU and Resolving Unusual Enrollment History Flags**

See ANN 15-14 and ANN 16-01 for more info

Available at fsatraining.info
Upcoming Training

• 2016 FSA Training Conference
  • November 29 – December 2
  • Georgia World Congress Center – Atlanta, GA
Department of Education
Contacts

Research and Customer Care Center
800.433.7327
fsa.customer.support@ed.gov

Reach FSA
855.FSA.4FAA -- 1 number to reach 10 contact centers!

<table>
<thead>
<tr>
<th>Campus Based Call Center</th>
<th>eZ-Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>COD</td>
<td>School Eligibility Service Group</td>
</tr>
<tr>
<td>CPS/SAIG</td>
<td>Foreign Schools Participation Division</td>
</tr>
<tr>
<td>NSLDS</td>
<td>Research and Customer Care Center</td>
</tr>
<tr>
<td>G5</td>
<td>Nelnet Total &amp; Permanent Disability Team</td>
</tr>
</tbody>
</table>
Regional Contacts

• Philadelphia School Participation Team
  • Main Number – 215-656-6442
  • Joe Kern (IIS) – Joe.Kern@ed.gov; 215-656-8566

• Philadelphia Training Officers
  • Amber Johnson – Amber.Johnson@ed.gov; 202-377-3369
  • Craig Rorie – Craig.Rorie@ed.gov; 215-656-5916
Training Feedback

To ensure quality training, we ask all participants to please fill out an online session evaluation.

• Go to https://www.surveymonkey.com/s/AmberJohnson
  - Evaluation form is specific to Amber Johnson

• Additional feedback about training can be directed to JoAnn.Borel@ed.gov; 409-579-3776
Thank You