PASFAA Spring Training
Federal Update

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March 14, 2017

FFEL/Direct FY ‘13 Cohort Default Rates

![Graph showing National Student Loan Default Rates]

<table>
<thead>
<tr>
<th>Year</th>
<th>Default Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>13.4%</td>
</tr>
<tr>
<td>2012</td>
<td>14.7%</td>
</tr>
<tr>
<td>2013</td>
<td>13.7%</td>
</tr>
<tr>
<td>2014</td>
<td>11.8%</td>
</tr>
<tr>
<td>2015</td>
<td>11.9%</td>
</tr>
</tbody>
</table>

Federal Update

FFEL/Direct FY ‘13 Cohort Default Rates

- 2011: 13.4%
- 2012: 14.7%
- 2013: 13.7%
- 2014: 11.8%
- 2015: 11.9%

These rates reflect the percentage of borrowers who defaulted on their student loans in the specified fiscal years.
FY ‘13 Cohort Default Rates
School Type

<table>
<thead>
<tr>
<th>School Type and Control</th>
<th>FY '12 CDR</th>
<th>FY '13 CDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public – Two Year</td>
<td>19.1%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Public – Four Year</td>
<td>7.6%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Non-Profit – Two Year</td>
<td>16.1%</td>
<td>16.3%</td>
</tr>
<tr>
<td>Non-Profit – Four Year</td>
<td>6.3%</td>
<td>6.5%</td>
</tr>
<tr>
<td>For-Profit – Two Year</td>
<td>17.7%</td>
<td>14%</td>
</tr>
<tr>
<td>For-Profit – Four Year</td>
<td>14.7%</td>
<td>18.6%</td>
</tr>
<tr>
<td>Foreign</td>
<td>3.3%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

FY ‘13 Cohort Default Rates
PASFAA

<table>
<thead>
<tr>
<th>STATE</th>
<th>FY '12 CDR</th>
<th>FY '13 CDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pennsylvania</td>
<td>9.7%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

2017-2018 Federal Pell Grant Program
2017-2018 Pell Payment Schedules
- Maximum Award - $5,920
- Increase from 2016-2017 - $105
- Minimum Award - $595
- Maximum eligible EFC – 5328
- Payment Schedules – See DCL GEN-16-19
  - October 18, 2016

Restoration of Eligibility
- Restore LEU and 2016-2017 TEU for Pell received at a school that closed before the student could complete
- COD (and NSLDS) will be changed in March
- New SARS and ISIRS will be produced
- Special notification to students

Early FAFSA
Prior – Prior
Early FAFSA

- President’s Announcement –
  - FAFSA Start-Up on October 1
- Use of Prior-Prior Income Data
- Beginning with the 2017-2018 FAFSA
  - October 1, 2016
  - 2015 Tax/Calendar Year for Income

Changes to the FAFSA Process for 2017-18

<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>

Federal Student Aid

Prior-Prior and Early FAFSA

- Verification
  - Use of DRT Will Reduce Selection for Verification
  - Documentation of income/taxes from 2016-2017 can be used for 2017-2018
  - Eliminating Tracking Group V6 (Low Income)
Prior-Prior and Early FAFSA

- Conflicting Information
  - Occurrences reduced if DRT used for both 2016-2017 and 2017-2018
  - FOTW warnings if 2017-2018 reporting income/taxes not equal to 2016-2017 reported amounts

- Conflicting Information – The CPS Will –
  - Perform an automatic review to determine if there might be conflicting information between the two FAFSAs
  - Flag (399) for institutional resolution only those 2017-2018 ISIRs where the potential conflict, once resolved, would have a significant impact on the student’s 2017-2018 EFC. Fewer than 4% selected

Perkins Loan Program

(DCL GEN-16-05)
Perkins Loan Program
  - Extends program through September 30, 2017
  - Last Disbursement could be as late as June 30, 2018
  - Effectively eliminates the eligibility for graduate students to receive Perkins Loans.
  - Receipt of Direct Loan requirements on the eligibility for undergraduates to receive a loan

Perkins Loan Program
  - Requires school disclosures
  - Requires return of federal share of revolving fund

Perkins Loan Program
- Federal Perkins Loan Excess Liquid Capital (ELC)
  - Last year schools returned more than $190 million of Federal Share of ELC
  - This year schools returned more than $179 million
Regulatory Update

Borrower Defenses

Borrower Defense

- No consensus, although the Department took the Committee’s feedback into account when drafting the proposed regulations
- NPRM Published, June 16, 2016
- Final regulations on November 1, 2016
Borrower Defenses

- Provides protection to student borrowers against predatory and other harmful practices by institutions
- Clarifies when and how borrowers can obtain loan forgiveness if defrauded or deceived by an institution
- Institution responsible for reimbursing government

Borrower Defenses

- Streamlined the process and provide additional communication to potentially eligible borrowers
- ED can initiate a proceeding to recover funds from the institution for loan discharges
- Prohibits the use of mandatory pre-dispute arbitration clauses and class action waivers that deny students their day in court if they are wronged

Borrower Defenses

- Requires institutions to post a Letter of Credit if they engage in misconduct or exhibit signs of financial risk
- Requires financially risky institutions and institutions where students have poor loan outcomes to provide clear, plain-language warnings to prospective and current students, and to the public. Applies to for-profit institutions only
Direct Loan REPAYE Payment Plan

REPAYE Regulations

- Negotiations held February - April, 2015 -- consensus reached on a Revised Pay As You Earn repayment plan (REPAYE) that extends the 10 percent income cap to all borrowers regardless of when they borrowed
- Published final regulations October 30, 2015
- Implemented on December 17, 2015

REPAYE Regulations

- Extends 10% of income repayment cap to all borrowers regardless of when they borrowed
- Repayment period = 20 years for undergraduate loans and 25 years if graduate loans included
- PAYE still available; not a replacement plan
Program Integrity
Cash Management

Cash Management Regulations
- October 30, 2015: Final regulations published
- July 1, 2016: Regulations effective
- Ensure that students receiving Title IV, HEA funds:
  - Have convenient access to their funds
  - Do not incur unreasonable financial account fees
  - Are not led to believe they must open a particular financial account to receive their funds

Correct and Timely Reporting
Correct and Timely Reporting

- COD – Program information
- NSLDS –
  - Enrollment, including academic program
  - GE Reporting
- CPS –
  - Professional Judgement
  - Results of V4 and V5 Verification

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.
Protecting Student Information

- DCLs GEN-15-18 and GEN-16-12
  - Reminds institutions (and their third-party servicers) of their continuing obligations to protect data used in all aspects of the administration of the Title IV Federal student financial aid programs.

Protecting Student Information

- The SAIG Enrollment Agreement includes a provision that the institution –
  - Must ensure that all Federal Student Aid applicant information is protected from access by or disclosure to unauthorized personnel

Gainful Employment

See DCL GEN-15-12
The HEA provides that to be Title IV eligible an educational program must:

- Be offered by a public or non-profit institution and leads to a degree; or
- Prepare students for *gainful employment* in a recognized occupation

**Gainful Employment**

- Final rules published on October 31, 2014
- Rules became effective July 1, 2015
- Published Dear Colleague Letter GEN-15-12 summarizing the rules

**Gainful Employment Measure**

- Debt-to-earnings (D/E) rates
  - Annual Earnings D/E rate
  - Discretionary Income D/E rate
- Pass: Annual D/E ≤ 8% or Discretionary D/E ≤ 20%
- Fail: Annual D/E > 12% and Discretionary > 30%
- Zone: Annual D/E > 8% and ≤ 12% or Discretionary D/E > 20% and ≤ 30%
Gainful Employment Results

- Program's loses Title IV 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

GE Results

- On January 9, rates released to schools and to the public (FSA Data Center)
- 8,637 GE programs calculated – 65.72% at for-profit schools, (5,676 programs)
  - 6,595 (76.36%) programs passed – 56.48.% at for-profit schools, (3,725 programs).
  - 1,239 programs (14.34%) in the ‘zone’ – 93.95% at for-profit schools. (1,164 programs)

GE Results

- 803 programs (9.30%) failed – 98.01% at for-profit schools, 787 programs
- Warning Letters -
  - Within 30 days of notification that a GE program has failed, the school must provide “warning letters” to the program's current students and to any “prospective students”
  - Letter must advise the student that the program may lose Title IV student aid eligibility after one more year
Gainful Employment Disclosures

- New GE Disclosure
- Template Released on January 19
- Must be used no later than April 3, 2017
- In addition to program information, required disclosures include:
  - Normal Time to Completion
  - Occupations Program Trains For
  - Program’s Costs
  - Number of Students Who Enrolled
  - Number of Enrolled Students Who Had Loans
  - Median Debt
  - Median Earnings
  - Completion Rates
  - GE D/E Earnings Result (Pass, Zone, Fail)
  - Job Placement Rates
  - Licensure Satisfaction Status
Experimental Sites

- Pell for short-term career programs
- Pell for students with a bachelor's degree
- Reduced Unsubsidized Loans
- FWS for High School Tutors
- Prior Learning Assessments
- Limited Direct Assessment

Experimental Sites

- Competency Based Education
- “Second Chance Pell” for incarcerated students
- Dual Enrollment – High school and postsecondary
- Additional Loan Counseling
Thank You