Federal Update

Zack Goodwin, US Department of Education
ISFAA Conference, Indianapolis, IN
June 13, 2017

IRS Data Retrieval Tool
(IRS DRT)

Beginning on Friday, March 3, the IRS DRT was unavailable for both the FAFSA on the Web (FOTW) process and for the Income Driven Repayment (IDR) process. The IRS and the Department are continuing to work on the issues that resulted in the unavailability of the IRS DRT.
FFEL/Direct Loan
FY 2013 Cohort Default Rates

National Student Loan Default Rates

FY13 Cohort Default Rates

<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>
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
  - Dear Colleague Letter 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 updated in March
- New SARS and ISIRS will be produced
- Special notification to students
  - Electronic Announcement: April 3, 2017
Early FAFSA
and
Prior-Prior Year

Early FAFSA

• President’s Announcement
  - FAFSA opening 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>
<tbody>
<tr>
<td>July 1, 2017–June 30, 2018</td>
<td>October 1, 2016–June 30, 2018</td>
<td>2019</td>
</tr>
</tbody>
</table>

Zack Goodwin
US Department of Education
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)

- Conflicting Information
  - Occurrences reduced if DRT used for 2016-2017 and 2017-2018
  - FOTW warnings if 2017-2018 reporting of income and taxes are 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

Dear Colleague Letter GEN-16-05

Perkins Loan Program

- Federal Perkins Loan Program Extension Act of 2015
  - Extends program through September 30, 2017
    - Last Disbursement can 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

- Federal Perkins Loan Program Extension Act of 2015
  - 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

Borrower Defenses

- No consensus, although the Department took the Committee’s feedback into account when drafting the proposed regulations
- NPRM published June 16, 2016
- Final regulations published 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
- Creates a standard process for eligible borrowers to request a closed-school discharge

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**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

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**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 Repayment Plan**

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**REPAYE Regulations**

- Negotiations held February to 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

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**REPAYE Regulations**

- Extends 10%-of-income repayment cap to all borrowers regardless of when they borrowed

- Repayment period is 20 years for undergraduate loans and 25 years if graduate loans are included

- REPAYE does not replace PAYE
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
  - Gainful employment reporting
- CPS
  - Professional Judgement
  - Results of V4 and V5 verification

Protecting Student Information

Under various Federal and state laws and other authorities, institutions may be responsible for losses, fines and penalties (including criminal penalties) caused by data breaches

Higher Education Act, FERPA, the Privacy Act of 1974, Gramm-Leach-Bliley Act, SAIG enrollment agreement, state data breach and privacy laws
Protecting Student Information

Dear Colleague Letters GEN-15-18 and GEN-16-12 remind 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.

Gainful Employment

Dear Colleague Letter 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 lead 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

Dear Colleague Letter GEN-15-12

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 loses Title IV eligibility if...
  - Fails D/E measures in two out of three years
  - Fails D/E measures or in the Zone for four consecutive years
Gainful Employment 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)

- 803 programs (9.30%) failed
  - 98.01% at for-profit schools (787 programs)

- Schools may appeal rates for programs that were in the zone or that failed. Appeals must be submitted no later than March 10, 2017 – July 1, 2017

Gainful Employment Results

- 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
- Template Released on January 19
- Must be used no later than April 3, 2017
- In addition to program information, required disclosures include...

Gainful Employment Disclosures

- Normal time to completion
- Occupations for which the program prepares students
- Program costs
- Number of students who enrolled
- Number of enrolled students who had loans
- Median debt

Gainful Employment Disclosures

- Median earnings
- Completion rates
- GE D/E 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 in high school and college
- Additional loan counseling
Thank you!

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ED Contacts

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

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

- COD
- CPS/SAG
- NSLDS
- GS

We Appreciate Your Feedback

To ensure quality training we ask all participants to please fill out an online session evaluation:
https://www.surveymonkey.com/r/ZacharyGoodwin

This evaluation tool provides a means to inform us of areas for improvement, and to support an effective process for listening to our customers.

Additional feedback about training can be directed to joann.borel@ed.gov.