

Federal Update

Jeff Baker, Federal Student Aid

November 8, 2013

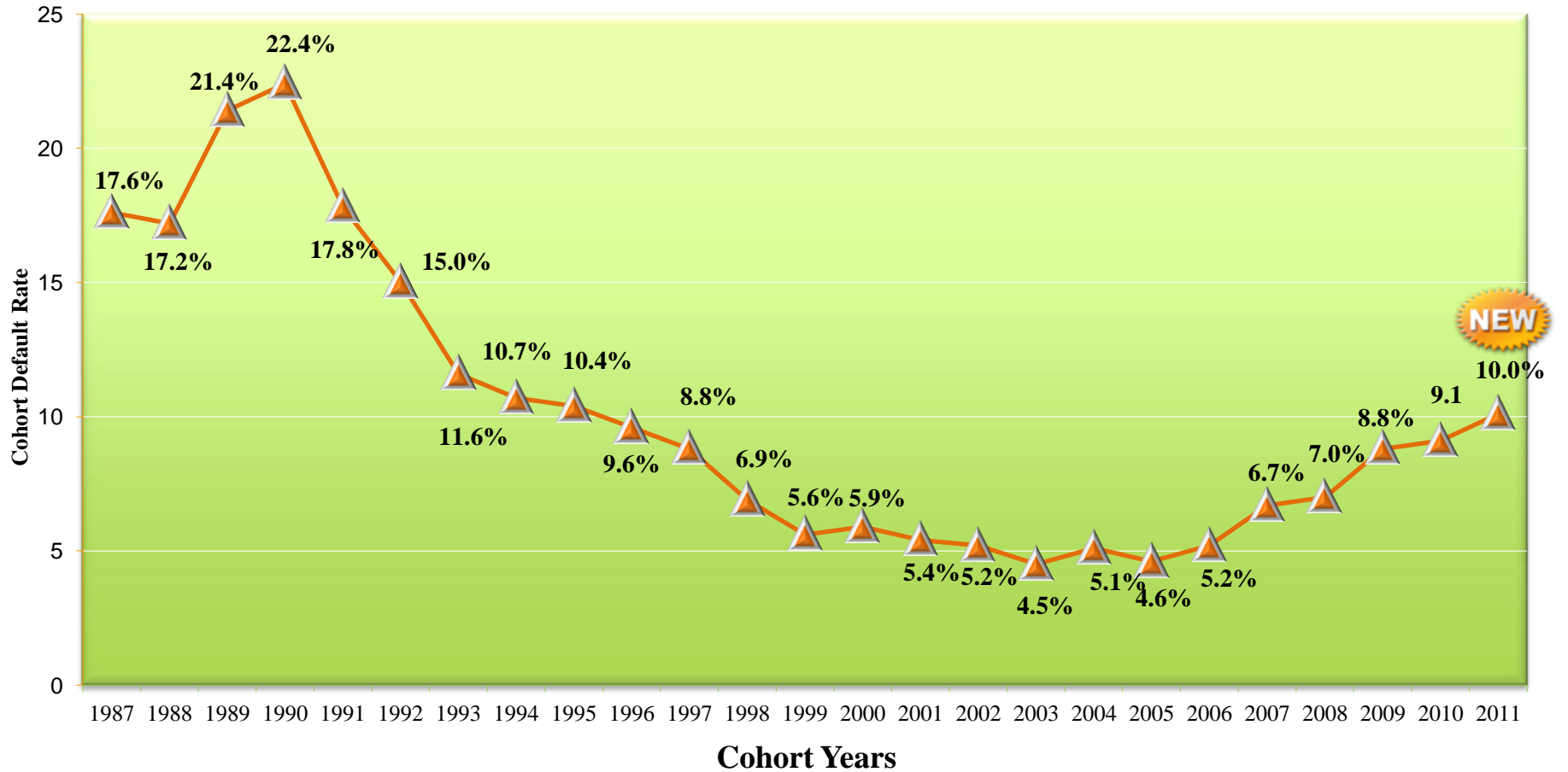
The seal of the U.S. Department of Education is centered in the background. It features a tree with a book as its trunk, set against a sunburst. The words "DEPARTMENT OF EDUCATION" are arched across the top, and "UNITED STATES OF AMERICA" is arched across the bottom. Two stars are positioned on either side of the tree.

DEFAULT RATES

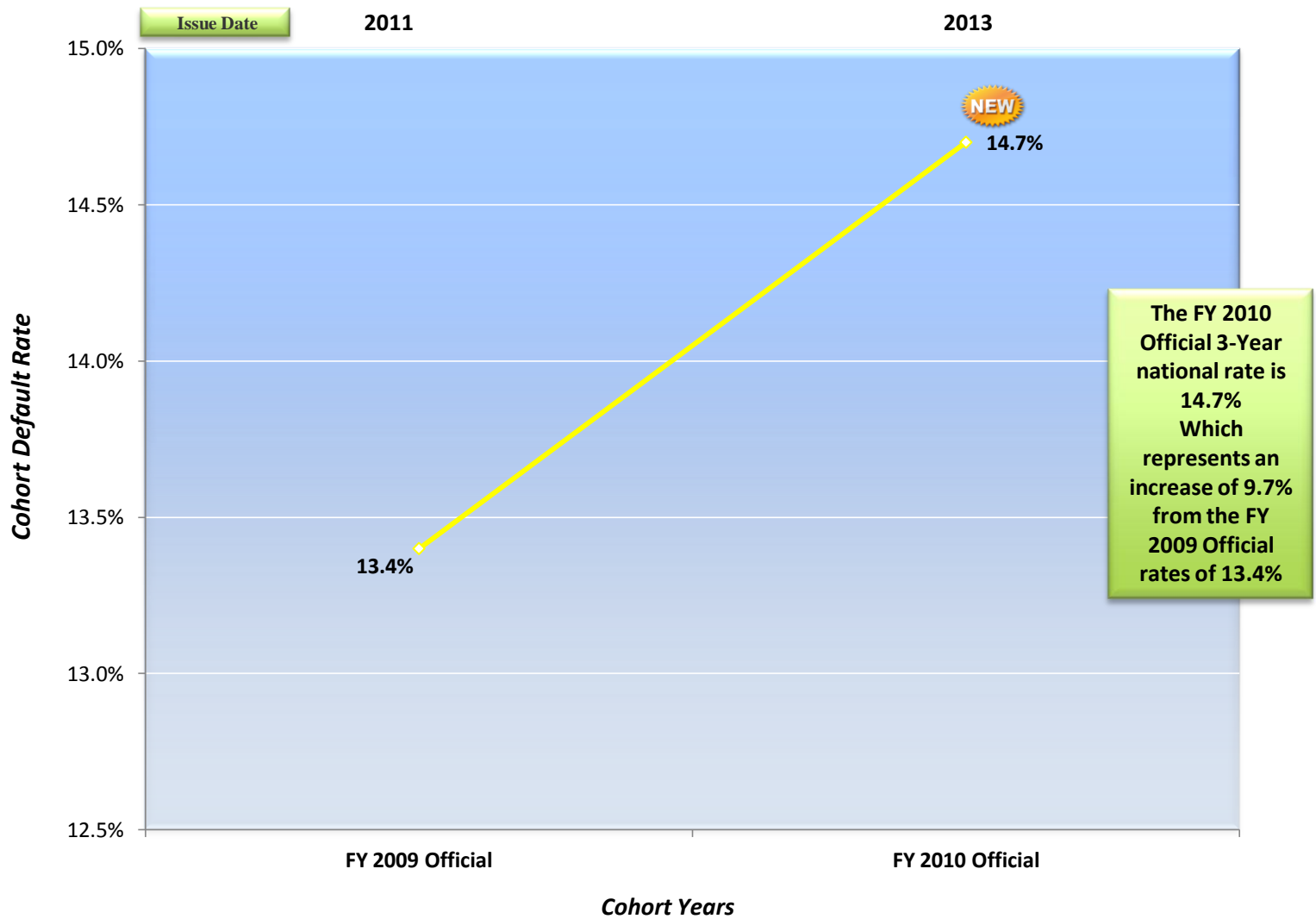
National Student Loan Default Rates

Issue Date

1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013



National Student Loan Default Rates



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INTEREST RATES (EA – August 9, 2013)

Interest Rates

- The Administration worked with Congress to reach agreement on a plan to reverse the interest rate increase.
- New rate structure applies to all loans first disbursed after June 30, 2013.

Interest Rates

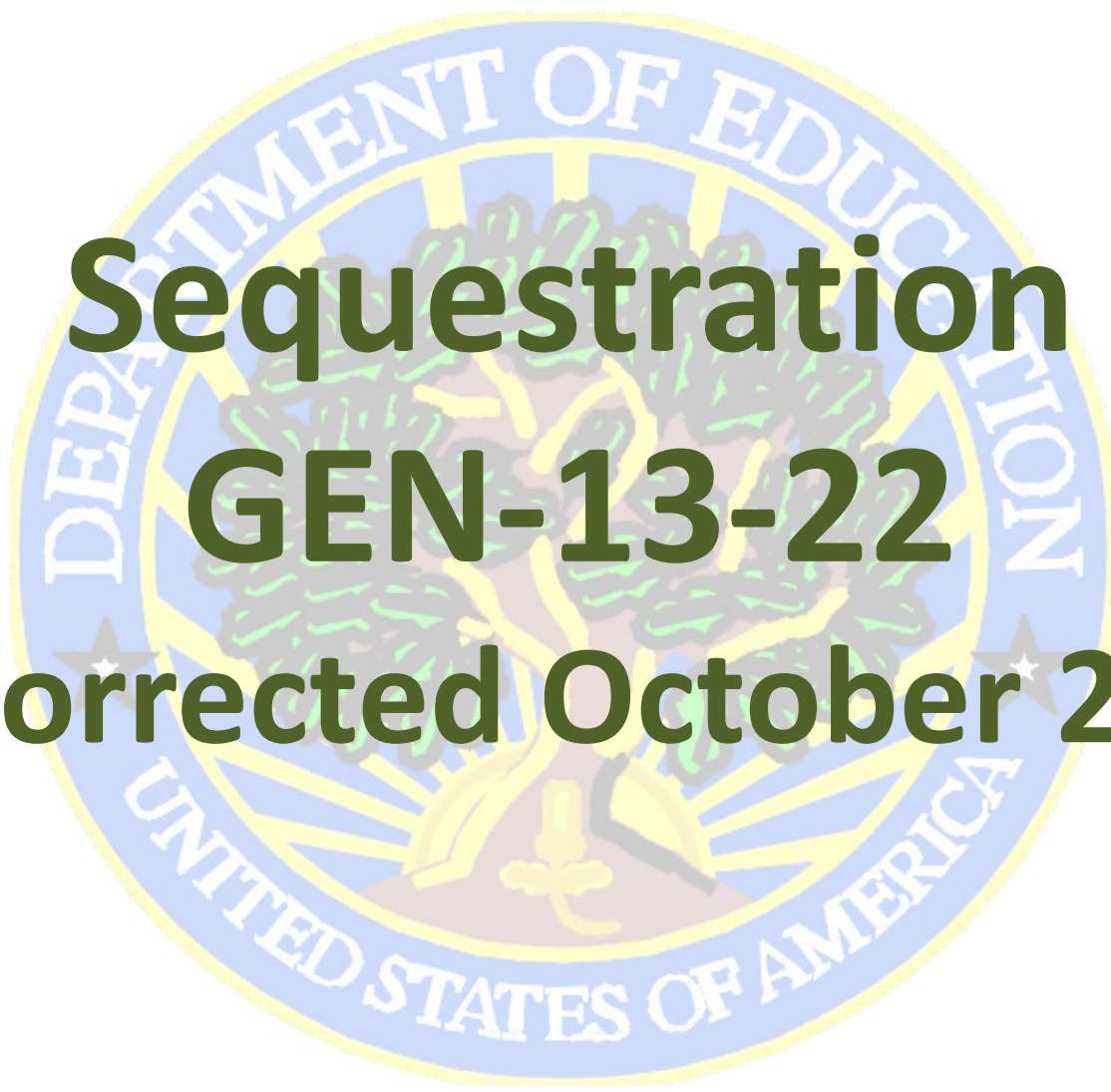
- Rates the same for both subsidized and unsubsidized loans.
- Rates different between undergraduate students and graduate students.
- Fixed rate set each year for a cohort of loans.
 - First disbursed between July 1 and June 30.
 - Applies for the life of the loan.

Interest Rates

- Rates based on 10 Year T-Bill plus add-on –
 - Undergraduate Students - Sub and Unsub
 - Cap of 8.25 percent
 - 3.86% for this year compared to last year's 3.4% and what would have been 6.8%
 - Graduate students – Unsub only
 - Cap of 9.5 percent
 - 5.41% for this year compared to last year's 6.8%.

Interest Rates

- PLUS Loans (parent and grad/professional)
 - Cap of 10.5 percent.
 - 6.41% for this year compared to 7.9%.
- Consolidation Loans – Same weighted average but with no cap. Cap was 8.5%

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Sequestration
GEN-13-22
(corrected October 25)

Sequestration

- Pell Grant Program -
 - No impact
- FWS and FSEOG Programs
 - 2013-2014 institutional amounts reduced
 - No word on 2014-2015 institutional amounts

Sequestration

- TEACH Grant awards reduced by 6.0 percent for FY 2013 and 7.2 percent for FY 2014
- Iraq-Afghanistan Service Grant awards reduced by 10.0 percent for FY 2013 and 7.2 percent for FY 2014
- Both Grant Programs - FY 14 reduction for any grant where the first disbursement is made between October 1, 20123 and September 30, 2014

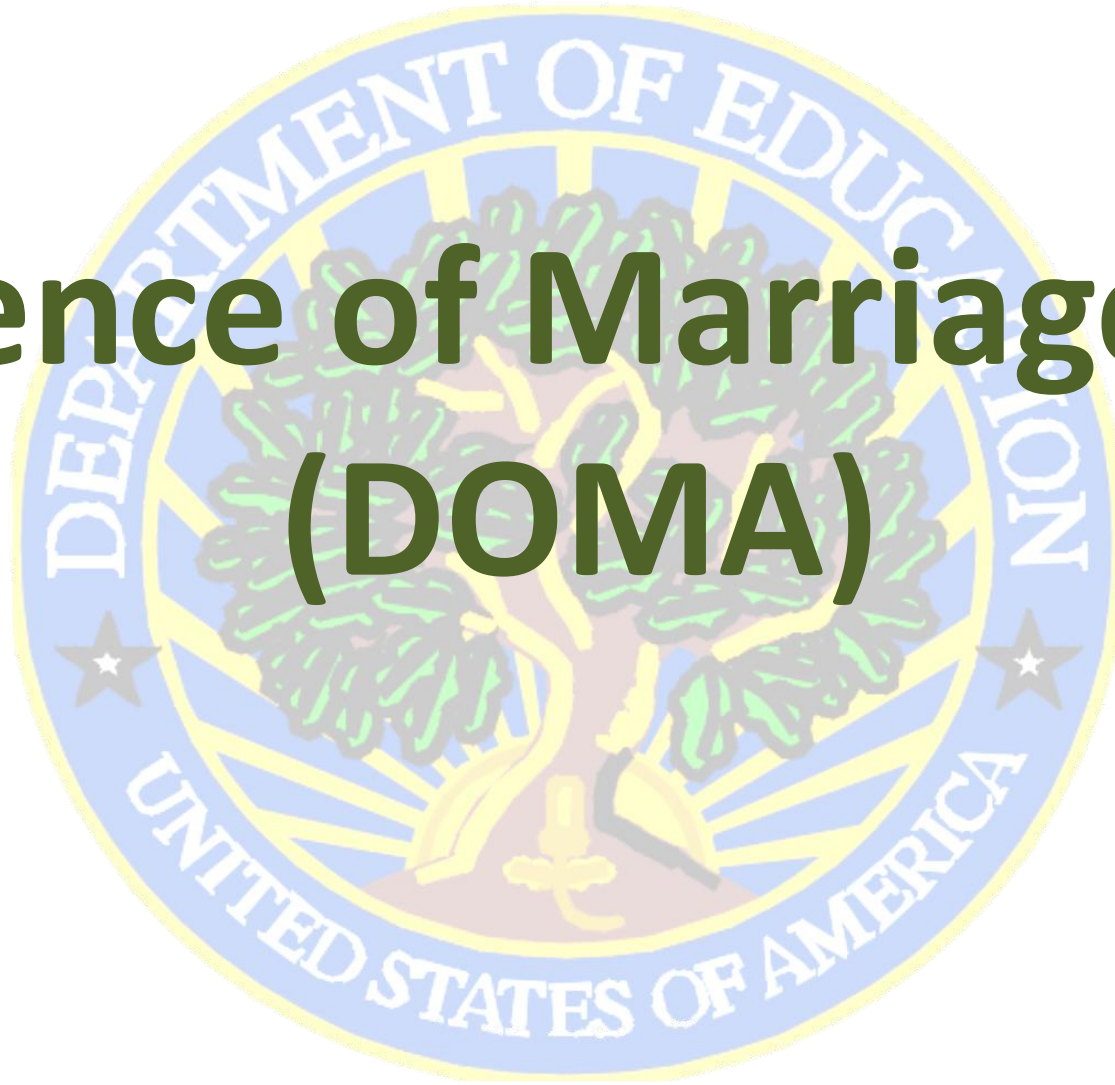
Sequestration FY 2013

- Direct Subsidized and Direct Unsubsidized loan fees increased from 1.0 percent to 1.051 percent for loans first disbursed on or after July 1, 2013 and before December 1, 2013.
- Direct PLUS loan fees (parent and grad) increased from 4.0 percent to 4.204 percent for loans first disbursed on or after July 1, 2013 and before December 1, 2013.

Sequestration FY 2014

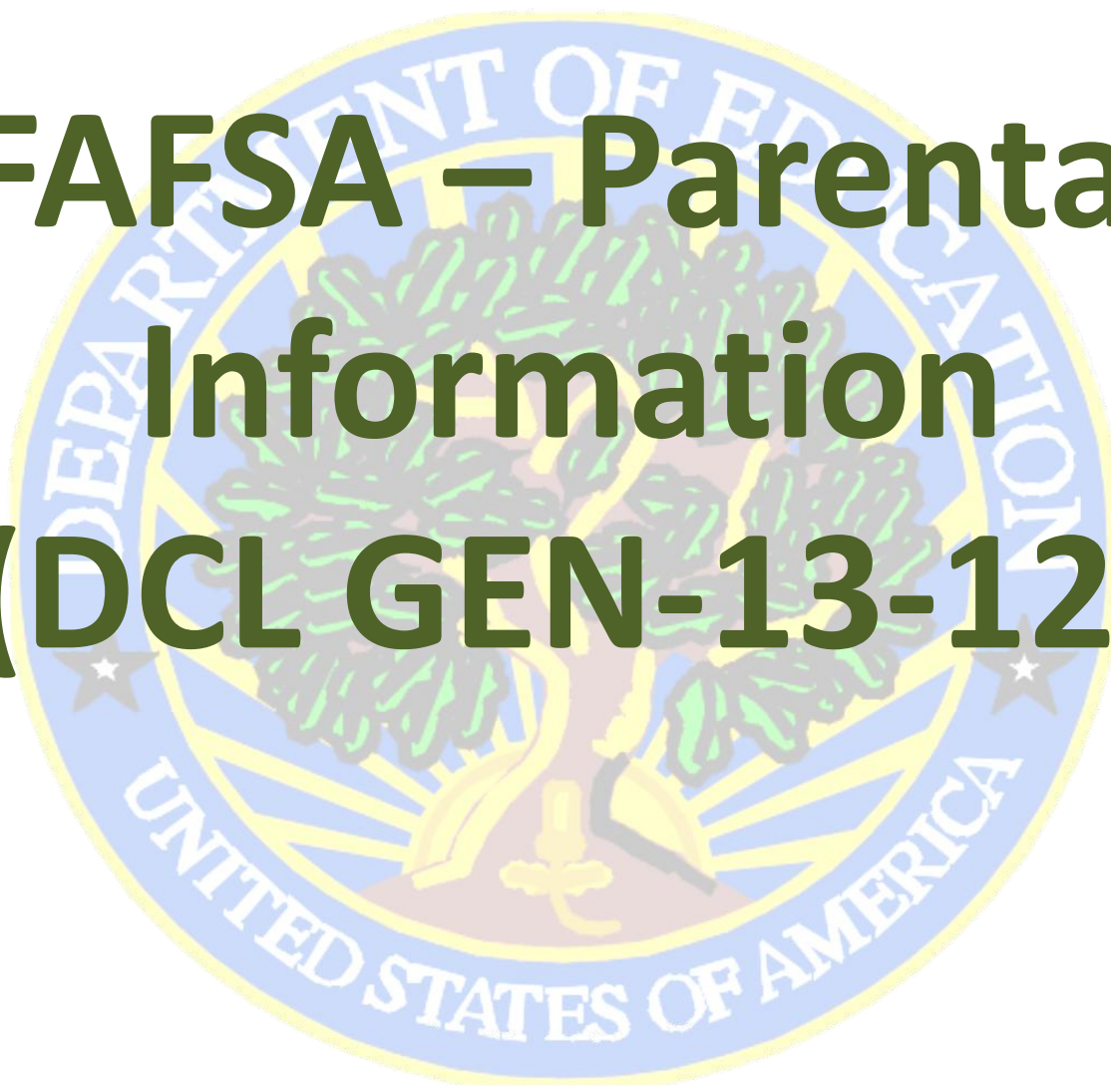
- Direct Subsidized and Direct Unsubsidized loan fees increased from 1.051 percent to 1.072 percent for loans first disbursed on or after December 1, 2013 and before October 1, 2014.
- Direct PLUS loan fees (parent and grad) increased from 4.204 percent to 4.288 for loans first disbursed on or after December 1, 2013 and before October 1, 2014.

Defence of Marriage Act (DOMA)



Defense of Marriage Act

- On June 26, 2013 the Supreme Court struck down section 3 of the Defense of Marriage Act (DOMA) that provided that for purposes of federal programs, a marriage can only be between one man and one woman.
- Impacts the FAFSA/EFC and Income Driven Repayment plans.
- ED is waiting for guidance from the U.S. Department of Justice as to the specific implications and timing of the ruling.

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FAFSA – Parental Information (DCL GEN-13-12)

FAFSA CHANGES – PARENTAL DATA

- What?
 - Beginning with the 2014-2015 FAFSA, dependent students' FAFSA must include income and other information about both of the student's legal parents (biological or adoptive) if the parents are living together, regardless of the parents' marital status or gender.

FAFSA CHANGES – PARENTAL DATA

- Why?
 - Collecting parental information from both legal parents will result in fair treatment of all families by eliminating longstanding inequities that were based on the legal relationship of the parents (married or not married) rather than on the parents' relationship with their child.

FAFSA CHANGES – PARENTAL DATA

- How will information about a student's unmarried parents be collected on the FAFSA?
- The FAFSA will include a response of “Unmarried and both parents living together” to the parents' marital status question. Instructions and help text will explain that parents are the student's legal (biological or adoptive) parents if those parents live together.


FAFSA CHANGES – PARENTAL DATA

- Because unmarried parents may be of the opposite sex or of the same sex, when the response to the parents' marital status question is “Unmarried and both parents living together,” follow-up questions will refer to the parents as “Parent 1 (father/mother)” and “Parent 2 (father/mother)” or simply “parents”.

FAFSA CHANGES – PARENTAL DATA

- Since the unmarried parents could not have filed a joint IRS tax return together, FOTW will provide instructions on how the family should respond to questions such as “tax filing status”, “type of tax return”, and to AGI and other tax return questions.

This also applies to married parents whose IRS filing status is “Married filing separately”.

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Foster Care (DCL GEN-13-18)

EXTENDED FOSTER CARE

- Foster care payments paid by a state to foster parents are excluded from both EFC and EFA.
- Payments paid by a state directly to the former foster care youth are also excluded from EFC and EFA if –
 - Payments are made under the authority of Title IV-E of the Social Security Act.

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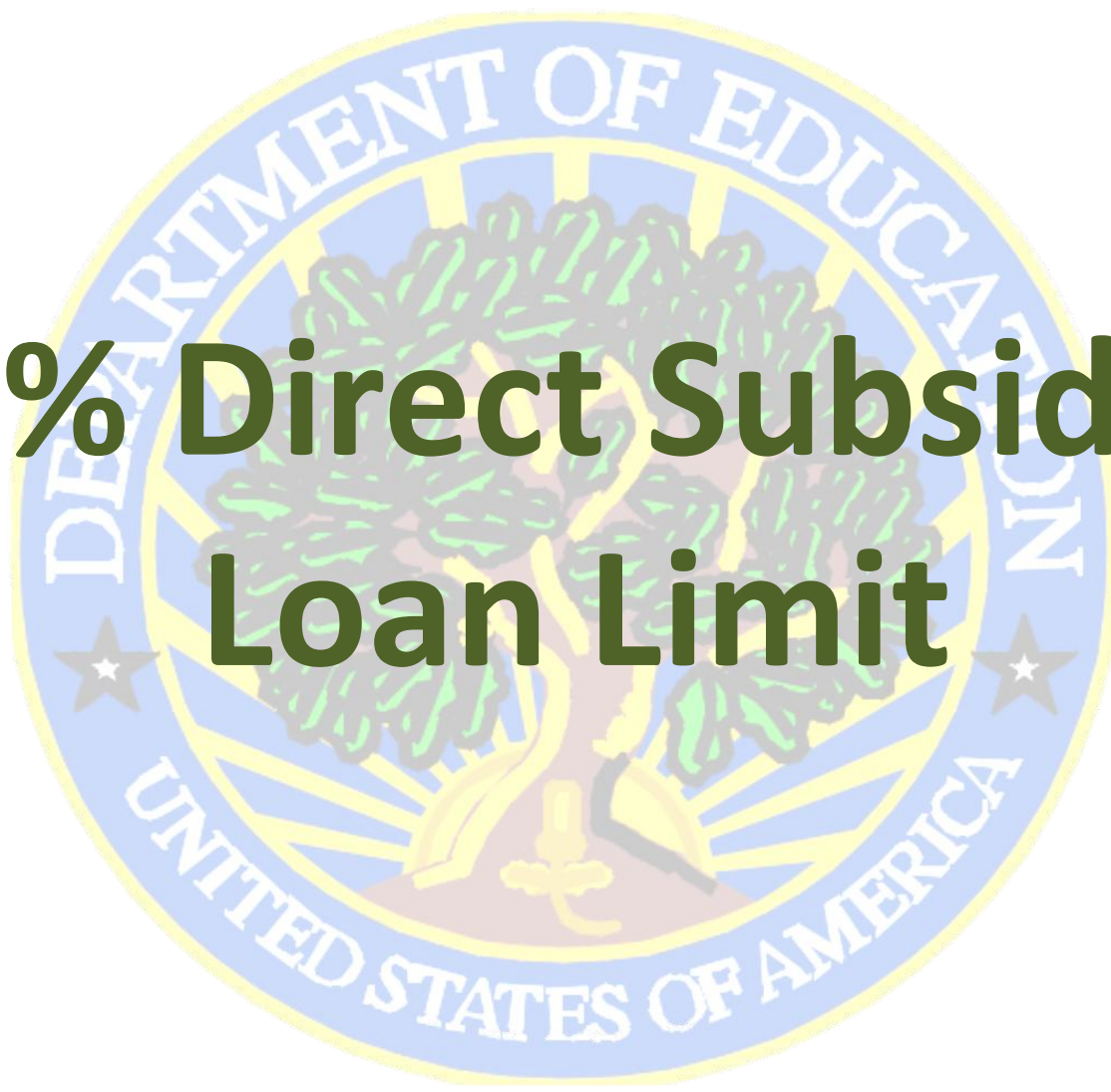
Pell Duration of Eligibility

Pell Duration of Eligibility

- Student's eligibility to receive Pell Grant limited to 12 semesters (or its equivalent)
- Applies to all students effective with the 2012-2013 award year
- Calculation includes all earlier years of the student's receipt of Pell

Pell Duration of Eligibility

- Calculate the equivalency by adding together each of the annual percentages of a student's scheduled award that was actually disbursed to the student.
 - LEU – Lifetime Eligibility Used
 - Once LEU reaches 600%, student no longer eligible
 - If LEU more than 500% but less than 600%, partial eligibility for next award year

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150% Direct Subsidized Loan Limit

Subsidized Loan Limit

- Statute: On July 6, 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) was enacted (P.L. 112-141).
- Regulations: Interim Final Regulations published on May 16, 2013.

Subsidized Loan Limit

- Limit on how many years a “first-time borrower” may receive subsidized loans.
 - Applies to first-time borrowers on or after July 1, 2013. A first-time borrower is one who -
 - Has no balance on any FFEL or Direct Loan on July 1, 2013, or
 - Receives first Direct Loan (any type) on or after July 1, 2013.

Subsidized Loan Limit

- Condition - Student has received Direct Subsidized loans for a period of time that is equal to 150% of the published length of the student's current academic program.
- Result - Student may not receive additional subsidized loans for enrollment in that program or any program of equal or lesser length.

Subsidized Loan Limit

- Students maximum time to receive subsidized loans is established based on the length of the program the student is enrolled in.
- Remaining subsidized eligibility is calculated by subtracting from maximum eligibility for the program, the time the student has already received subsidized loans for enrollment in any program.

Subsidized Loan Limit

- Example 1 –
 - Student receives three years of subsidized loans for enrollment in a two-year program.
 - Student ineligible for any additional subsidized loans –
 - For any continued enrollment in that program, and
 - For enrollment in any other program of equal or shorter length.

Subsidized Loan Limit

- Example 2 –
 - Student receives three years of subsidized loans while enrolled in a two-year program.
 - Student transfers to a four-year program.
 - Student has three years of remaining subsidized loan eligibility.

Subsidized Loan Limit

- Example 3 –
 - Student receives two years of subsidized loans while enrolled in a four-year program.
 - Student transfers to a two-year program.
 - Student has one year remaining subsidized loan eligibility.

Subsidized Loan Limit

- Example 4 –
 - Student receives three years of subsidized loans while enrolled in a four-year program.
 - Student transfers to a two-year program.
 - Student has no year remaining subsidized loan eligibility.

Subsidized Loan Limit

- A student who loses eligibility for additional subsidized loans may lose interest subsidy on previously received subsidized loans, if -
 - Student did not complete program, and
 - Continues in same program or,
 - Enrolls in another undergraduate program of the same or shorter length.
- Effective on the date of the student's continued or new enrollment.

Subsidized Loan Limit

- Example 5 –
 - Student receives three years of subsidized loans for enrollment in a two-year program without completing the program.
 - Student loses subsidy on those three loans if the student –
 - Continues enrollment in that program, or
 - Enrolls in any other program of equal or shorter length.

Subsidized Loan Limit

- Example 5A –
 - Student receives three years of subsidized loans for enrollment in a two-year program and completed the program.
 - Student does not lose subsidy even if the student –
 - Enrolls in a program of equal or shorter length.

Subsidized Loan Limit

- Example 6 –
 - Student receives three years of subsidized loans while enrolled in a two-year program and then enrolls in a four-year program.
 - Student does not lose subsidy since the new program is longer than the prior program.

Subsidized Loan Limit

- Example 7 –
 - Student receives two years of subsidized loans while enrolled in a four-year program and then enrolls in a two-year program.
 - Student does not lose subsidy even though the program is shorter because student never lost eligibility for additional subsidized loans.

Subsidized Loan Limit

- Example 8 –
 - Student receives three years of subsidized loans while enrolled in a four-year program and then enrolls in a two-year program.
 - Student loses subsidy because upon enrollment the student lost eligibility for additional subsidized loans.

Verification and Unusual Enrollment History



2013-2014 Verification

- Same core FAFSA items as in 2012-2013
 - AGI and Taxes Paid
 - Four Untaxed Income Items
 - Education Credits
 - Number in Household and Number in College
 - SNAP, if reported on FAFSA/ISIR
 - Child Support paid, if reported on FAFSA/ISIR

2013-2014 Verification

- Fraud Detection and Prevention –
 - Two new verification items to combat abuse
 - High School Completion Status
 - Identity/Statement of Educational Purpose
 - Out of 5.7 million FAFSAs selected for verification only 130 thousand selected for these items – About 2.2 percent.

2014-2015 Verification

- Verification Tracking Groups
 - Eliminated Group V2 – SNAP
 - Added Group V6 – Household Resources
 - When reported income does not appear sufficient to support family size.
 - All untaxed income FAFSA items must be verified

Unusual Enrollment History

- Students identified based on Pell Grant history - # of schools and # of years.
- New 'C' Code added to ISIR.
- New Unusual Enrollment History Flag (UEH FLAG) added to ISIR
- Out of 18.5 million FAFSAs only 200 thousand selected – about 1 percent.
- See DCL GEN-13-09

Regulatory Activity



Regulatory Activity

- Loans I – Final Rule
 - Published on November 1, 2012
 - Pay as You Earn
 - Total and Permanent Disability
- 150% Direct Subsidized Loan Limit – Interim Final Rule
 - Published May 16, 2013
 - Comment Period Ended on July 1, 2013
 - Final Final Rule to be published ???

Regulatory Activity

- Pell Grant - Published on July 2, 2013.
 - Implemented the statutory changes that repealed the provisions that allowed an eligible student to receive a second Pell Grant Scheduled Award in a single award year.
 - No changes made from the Interim Final Rule published on May 2, 2012.

Regulatory Activity

- Loans II – Final Rule
 - Published on November 1, 2013
 - Repeal of Unnecessary FFEL Regulations and Updating of Direct Loan Regulations
 - FFEL Repayment Disclosures
 - Forbearance
 - Minimum Loan Period
 - Loan Rehabilitation
 - Closed School Discharge
 - School Enrollment Status Reporting

Regulatory Activity

- Gainful Employment
 - Negotiated Rulemaking has begun. Next session November 18 -20
- Campus Security and Crime Reporting
 - Result of the reauthorization of the Violence Against Women's Act
 - Call for negotiators published on September 19, 2013.
 - Negotiations scheduled to begin in mid-January

Regulatory Activity

- Other Negotiated Rulemaking
 - Cash management, including use of debit and other cards
 - State authorization for distance education and foreign locations of domestic schools
 - Clock to credit hour conversion
 - Definition of adverse credit for PLUS loan borrowers

Experimental Sites



Experimental Sites

- The Experiments – 150 schools
 - Pell Grant – Eligibility of students with bachelor's degrees and eligibility of short-term programs
 - Study Abroad - Early and single disbursement
 - Unequal disbursements of Direct Loans
 - Reduced Unsubsidized loan amounts
 - Two experiments for students with intellectual disabilities
- Still opportunity to participate (GEN-13-08).

