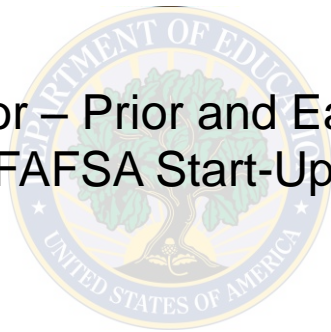


Federal Update

U.S. Department of Education
Jeff Baker
November 2015

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Prior – Prior and Early FAFSA Start-Up



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Prior-Prior

- 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 Year

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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.

IF YOU PLAN TO ATTEND COLLEGE FROM	YOU CAN SUBMIT THE FAFSA FROM	USING TAX INFORMATION FROM
July 1, 2015–June 30, 2016	January 1, 2015–June 30, 2016	2014
July 1, 2016–June 30, 2017	January 1, 2016–June 30, 2017	2015
July 1, 2017–June 30, 2018	October 1, 2016–June 30, 2018	2015
July 1, 2018–June 30, 2019	October 1, 2017–June 30, 2019	2016

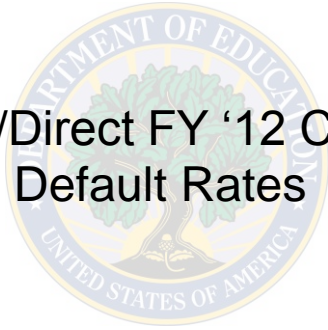
Prior-Prior

- Issues
 - Outreach
 - Verification
 - Conflicting information
 - Professional Judgement
 - State grant agencies
 - Early awarding
 - Deadlines

FAFSA – List of Schools

- Beginning with the 2016-2017 FAFSA the names of the 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.

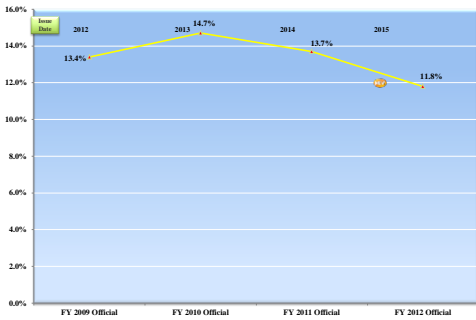
FFEL/Direct FY '12 Cohort Default Rates



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National Student Loan Default Rates



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FY '12 Cohort Default Rates School Type

STATE	FY 11' CDR	FY 12' CDR
Public – Two Year	20.5%	19.1%
Public – Four Year	8.9%	7.6%
Non-Profit – Two Year	15.6%	16.1%
Non-Profit – Four Year	7.0%	6.3%
For-Profit – Two Year	20.0%	17.7%
For-Profit – Four Year	18.6%	14.7%
Foreign	3.8%	3.3%
All Schools	13.7%	11.8%

9

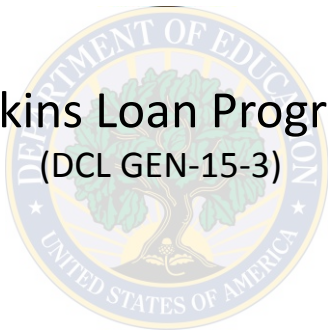
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FY '12 Cohort Default Rates SWASFAA

STATE	FY 11' CDR	FY 12' CDR
Arkansas	15.8%	14.5%
Louisiana	12.6%	11.9%
New Mexico	20.8%	20.0%
Oklahoma	15.7%	13.7%
Texas	15.9%	14.3%

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Perkins Loan Program (DCL GEN-15-3)



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Perkins Loan Program

- Dear Colleague Letter GEN-15-03
- Program ended on September 30, 2015
- Schools may not make Federal Perkins Loans to new borrowers after September 30, 2015.

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Perkins Loan Program

- 2015-2016 Awards –
 - If prior to October 1, 2015, a school makes the first disbursement of a Perkins Loan to a student for the 2015-2016 award year, the school may make any remaining disbursements of that 2015-2016 loan after September 30, 2015.

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Perkins Loan Program

- Grandfathering
 - Allows schools to make additional Perkins Loans to certain students for up to five additional years (through September 30, 2020) to enable the students “to continue or complete courses of study”.
 - Loans can be made only if all of the following conditions are met:

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Perkins Loan Program

- School made at least one Perkins Loan disbursement to the student on or before June 30, 2015.
 - Results in 2015-2016 being a “gap” year.
- Student is enrolled at the same institution where the last Perkins Loan disbursement was received.
- Student is in the same academic program.
- Need remains after Direct Sub awarded

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Perkins Loan Program

Excess Liquid Capital

- DCL GEN-15-19
- Attached Excel Work-Sheets
 - Calculate Excess Cash
 - Calculate Federal/School Shares
- Return Federal Funds by December 31, 2015

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ATB and Career Pathway Programs



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ATB and Career Pathway Programs

(Consolidated and Further Continuing Appropriations Act, 2015)

Establishes Ability-to-Benefit alternatives for students without a high school diploma, or equivalent (or home schooled) who are enrolled in an eligible "Career Pathway" "Program".

- ATB –
 - Pass an ED approved ATB test
 - State Process (none have ever been submitted)
 - Complete six credit hours (or equivalent)
- Beginning July 1, 2015, reduced Pell Grant payment schedule

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ATB and Career Pathway Programs

- Career Pathway Program:
 - Concurrently enrolls students in “connected adult education” and an eligible Title IV academic program
 - Provides counseling and supportive services
 - Provides “structured course sequences”
 - Provides opportunities for acceleration
 - Organized to meet the needs of adults
 - Aligned with the education and skill needs of the regional economy
 - Developed in collaboration with business, workforce development, and economic development.



Sequestration

Sequestration - Grants

- See DCL GEN-15-07, posted on April 23, 2015
- TEACH Grant awards must be reduced by 6.8% for FY 2016 (first disbursed between October 1, 2015 and September 30, 2016).
- Iraq-Afghanistan Service Grant awards reduced by 6.8% for FY 2016 (first disbursed between October 1, 2015 and September 30, 2016).

Sequestration – Direct Loan Fees

- See DCL GEN-15-07, posted on April 23, 2015
- Subsidized Loans and Unsubsidized Loans –
 - 1.068 percent for loans first disbursed on or after October 1, 2015 and before October 1, 2016.
- PLUS Loans (Parent and Grad Student) –
 - 4.272 percent for loans first disbursed on or after October 1, 2015 and before October 1, 2016

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Interest Rates

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Interest Rates

- Annual fixed rates based on 10 Year T-Bill, plus add-on.
- Applies to loans first disbursed between July 1 and June 30.
- Rate applies for the life of the loan.
- Add-ons and caps–
 - Undergraduate Sub and Unsub: 2.05/8.25%
 - Graduate Unsub: 3.60/9.5%
 - PLUS Loans: 4.60/10.5

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2015-2016 Interest Rates

- Undergraduate Students - Sub and Unsub
 - 4.29% compared to 2014-2015 4.66%.
- Graduate students – Unsubsidized Loans
 - 5.84% compared to 2014-2015 6.21%.
- PLUS Loans (parent and grad/professional)
 - 6.84% compared to 2014-2015 7.21%.

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Regulatory Update



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Borrower Defenses

- Rules to allow borrowers to request loan discharge based on a borrower defense of school misrepresentation
- Federal Register Notice – August 20, 2015
 - Hearings on September 10 in Washington and September 16 in San Francisco
- Negotiated rulemaking early next year

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Revised Pay As You Earn (REPAYE)

- Negotiations held February - April, 2015; Committee reached consensus
- NPRM published July 9, 2015; 30-day comment period ends August 10, 2015
- Final regulations published on October 30
- Early implementation in December 2015

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Proposed Changes for REPAYE

- Extends the 10 percent payment cap to an additional 6 million loan borrowers.
- Creates a streamlined process to identify military service members who hold FFEL program loans and who are eligible for lower interest rates.

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Cash Management

- Negotiations held in early 2014
- NPRM published in May of 2015
- Public comment period closed July 2, 2015
 - Received over 200 comments
- Final regulations published on October 30
- Effective July 1, 2016

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Cash Management

- Includes tougher standards and greater transparency around agreements between colleges and companies providing prepaid/debit cards to students
 - Meaningful choice of products
 - Clear and neutral information
 - Restrictions on fees charged

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PLUS Loan Adverse Credit

- NPRM published August 8, 2014
- Final rule published October 23, 2014
- Early implementation began March 29, 2015
- Applies to both Parent PLUS and Grad PLUS

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PLUS Loan Adverse Credit

- No adverse credit if total outstanding balance is not greater than \$2,085 for debts that are:
 - 90 or more days delinquent
 - Placed in collections
 - Charged off (written off)
- \$2,085 can be increased by ED based on CPI if the change would be \geq \$100

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PLUS Loan Adverse Credit

- Borrowers who are eligible because of extenuating circumstances or endorser must complete Department provided counseling before loan can be disbursed

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Gainful Employment



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The HEA provides that to be Title IV eligible an educational program must be offered by:

A public or non-profit postsecondary educational institution and leads to a degree; or

Any institution and “to prepare students for *gainful employment* in a recognized occupation”.

- Generally, all non-degree programs must lead to *gainful employment*
- Generally, all programs must lead to *gainful employment*

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Which Programs are GE Programs

- At public institutions and not-for-profit institutions, all non-degree programs are GE Programs except for –
 - Programs of at least two years in length that are designed to be fully transferable to a bachelor’s degree program
 - Preparatory coursework necessary for enrollment in an eligible program

Which Programs are GE Programs

- At proprietary institutions, all programs are GE Programs except for –
 - Preparatory coursework necessary for enrollment in an eligible program
 - Bachelor’s degree programs in liberal arts offered since January 2009 that are offered by a proprietary institution that has been regionally accredited since October 2007

Gainful Employment

- Rules became effective July 1, 2015
- Published Dear Colleague Letter GEN-15-12 on June 30, 2015, summarizing the rules
- Reporting of data by July 31, 2015 and by October 1, 2015

Gainful Employment Measure

- Debt-to-earnings (D/E) rates
 - Annual Earnings D/E rate
 - Discretionary Income D/E rate
 - Passing: Annual D/E \leq 8% or Discretionary D/E \leq 20%
 - Failing: Annual D/E $>$ 12% or Discretionary $>$ 30%
 - Zone: Annual D/E $>$ 8% and \leq 12% or Discretionary D/E $>$ 20% and \leq 30%

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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

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GE Reporting

- Report all Title IV Students by July 31, 2015
- Report 2008 – 2009 through 2013 – 2014 award years.
 - Programs with Medical and Dental Residencies report 2007 – 2008 through 2013 – 2014 award years.
- Report following award years by October 1.

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Gainful Employment Disclosures

- Beginning in 2017, in addition to program information could include:
 - pCDR
 - D/E rates
 - Loan repayment rates
 - Completion rates
 - Withdrawal rates
 - Placement rates
 - Median loan debt
 - Percent borrowing

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Certifications

- December 31, 2015 – Transitional Certifications Due
 - Signed by CEO, Chancellor, or equivalent
- Certifications renewed when institution recertifies Program Participation Agreement (PPA)

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Certifications

- Each currently eligible GE Program is:
 - Approved by accrediting agency and State.
 - Is programmatically accredited if that is required for that profession in the state.
 - Graduates qualify to meet licensing or certification exam requirements to work in the state, if any.

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