

# Federal Update

Zack Goodwin, US Department of Education  
IASFAA Conference, Johnston, IA  
April 6-7, 2017

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## IRS Data Retrieval Tool (IRS DRT)

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### 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.*

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# FFEL/Direct Loan FY 2013 Cohort Default Rates

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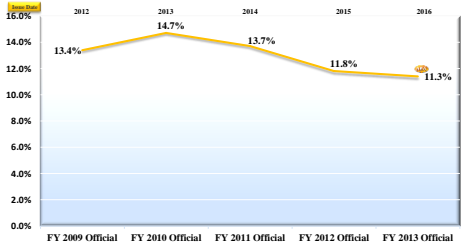
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National Student Loan Default Rates



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## FY13 Cohort Default Rates

| School Type and Control | FY '12 CDR | FY '13 CDR |
|-------------------------|------------|------------|
| Public – Two Year       | 19.1%      | 18.5%      |
| Public – Four Year      | 7.6%       | 7.3%       |
| Non-Profit – Two Year   | 16.1%      | 16.3%      |
| Non-Profit – Four Year  | 6.3%       | 6.5%       |
| For-Profit – Two Year   | 17.7%      | 14%        |
| For-Profit – Four Year  | 14.7%      | 18.6%      |
| Foreign                 | 3.3%       | 3.6%       |

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## 2017-2018 Federal Pell Grant Program

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## 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*

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## 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*

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## Early FAFSA and Prior-Prior Year

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## 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

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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                       |

Federal Student Aid

StudentAid.gov/fafsa-changes

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### 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)

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### Prior-Prior and Early FAFSA

- 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

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### Prior-Prior and Early FAFSA

- 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*

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## Perkins Loan Program

Dear Colleague Letter GEN-16-05



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## 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

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## Perkins Loan Program

- Federal Perkins Loan Program Extension Act of 2015
  - Requires school disclosures
  - Requires return of federal share of revolving fund

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## 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

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## Borrower Defenses

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## Borrower Defenses

- Negotiated Rulemaking: January 12-14, 2016, February 17-19, 2016, and March 16-18, 2016
- 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

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## 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

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# 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

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## Program Integrity: Cash Management

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## 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

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## Correct and Timely Reporting

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## Correct and Timely Reporting

- COD
  - Program information
- NSLDS
  - Enrollment, including academic program
  - Gainful employment reporting
- CPS
  - Professional Judgement
  - Results of V4 and V5 verification

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## Protecting Student Information

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## 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

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## 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*

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## Gainful Employment

*Dear Colleague Letter GEN-15-12*

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## Gainful Employment

- 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

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### Gainful Employment

- Final rules published on October 31, 2014
- Rules became effective July 1, 2015

*Dear Colleague Letter GEN-15-12*

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### 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%*

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### Gainful Employment Results

- Program loses Title IV eligibility if...
  - Fails D/E measures in two out of three years

*or*

  - Fails D/E measures or in the Zone for four consecutive years

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### 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)

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### Gainful Employment Results

- 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*

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### 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

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### Gainful Employment Disclosures

- New GE Disclosure Template
- Template Released on January 19
- Must be used no later than ~~April 3, 2017~~  
*July 1, 2017*
- In addition to program information, required disclosures include...

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### 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

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### Gainful Employment Disclosures

- Median earnings
- Completion rates
- GE D/E result (Pass, Zone, Fail)
- Job placement rates
- Licensure satisfaction status

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## Experimental Sites

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## Experimental Sites

- Pell for short-term career programs
- Pell for students with a bachelors degree
- Reduced unsubsidized loans
- FWS for high school tutors
- Prior Learning Assessments
- Limited Direct Assessment

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## Experimental Sites

- Competency Based Education
- "Second Chance Pell" for incarcerated students
- Dual Enrollment in high school and college
- Additional loan counseling

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

- |                          |  |
|--------------------------|--|
| Campus-Based Call Center | eZ-Audit                                 |
| COD                      | School Eligibility Service Group         |
| CPS/SAIG                 | Foreign Schools Participation Division   |
| NSLDS                    | Research and Customer Care Center        |
| G5                       | Netnet Total & Permanent Disability Team |

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## 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](mailto:joann.borel@ed.gov).

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**Q&A**  
  
**Updates**

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