



Federal Update

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Agenda

- ❑ National Budget & Legislation
- ❑ Policy & Operational Information
- ❑ Data Analysis & Usage

Program Budget

FY '05

(2005-2006)

FY '05 Appropriations Status

- H.J. Res. 107 - Signed by the President
September 30**

- H.R. 4818 - Consolidated Appropriations
Final Conference Report
November 20**

- H.J. Res. 114 - Signed by the President
November 21**

Title IV Program Budgets Appropriations

Program	FY 2004 (AY 04-05)	FY 2005* (AY 05-06)	FY 2005** (AY 05-06)
Pell Grant (Max Award)	\$12,006,738,000 \$4,050	\$12,863,000,000 \$4,050	\$12,364,997,280 \$4,050
FSEOG	\$ 770,455,000	\$ 770,455,000	\$ 778,720,000
FWS	\$ 998,502,000	\$ 998,502,000	\$ 990,257,056
Perkins (Cancellations)	\$ 98,764,000 66,665,000	\$ - 66,665,000	\$ - 66,131,680
LEAP	\$ 66,172,000	\$ -	\$ 65,642,624

* President's FY 05 Budget Submission

** 2005 Final Conference Report

Title IV Program Budgets Aid Available

Program	FY 2004 (AY 04-05)	FY 2005* (AY 05-06)
Pell Grant (Max Award)	\$ 13,042,000,000 \$4,050	\$ 12,803,000,000 \$4,050
FSEOG	\$ 975,000,000	\$ 975,000,000
FWS	\$ 1,196,000,000	\$ 1,196,000,000
Perkins	\$ 1,263,000,000	\$ 1,137,000,000
LEAP	\$ 169,000,000	\$ -
Loans	\$ 52,197,000,000	\$ 56,917,000,000
TOTAL	\$ 68,842,000,000	\$ 73,028,000,000

***President's FY 05 Budget Submission**

FY 2005 Budget Request Programmatic Changes

- ❑ **\$33 Million for “Enhanced Pell Grants”**
- ❑ **Address Campus-Based Formula Issues**
- ❑ **Address Needs of Distance Learners**
- ❑ **FWS Community Service Reserve**
- ❑ **Modify “Drug Eligibility” Rule**

FY 2005 Budget Request Programmatic Changes

- Phase Out Above-Market Special Allowance
- Increase Teacher Loan Forgiveness
- Disbursement Relief for Low CDR Schools
- Increase Loan Limits
- Broaden Repayment Options
- Retain Variable Interest Rates
- Require Insurance Fee
- Reserve \$3 Billion for Other Changes



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Reauthorization

Reauthorization

P.L. 108-366 - Extends the HEA through September 30, 2005

— Signed by the President on October 25

P.L. 108-409 - Modifies the Tax-exempt Special Allowance Rule and Expands Teacher Loan Forgiveness

— Signed by the President on October 30

Reauthorization House Passed

H.R. 438 – Teacher Recruitment and Retention Act – July 9, 2003

H.R. 2211 – Ready to Teach Act – July 9, 2003

H.R. 3076 – Graduate Opportunities in Higher Education Act – October 23, 2003

H.R. 3077 – International Studies in Higher Education Act – October 21, 2003

Reauthorization In Committee

- H.R. 3039 – Expanding Opportunities in Higher Education Act**
- H.R. 3311 – Affordability in Higher Education Act**
- H.R. 4283 – College Access and Opportunity Act**

On the Horizon

- Tax-exempt Special Allowance**
- Teacher Loan Forgiveness**
- State Tax Tables for 2005-06**
- Pell Grant Payment Schedules**
- Campus-Based Awards**
- IPEDS Redesign of Student Data:
Feasibility Study**



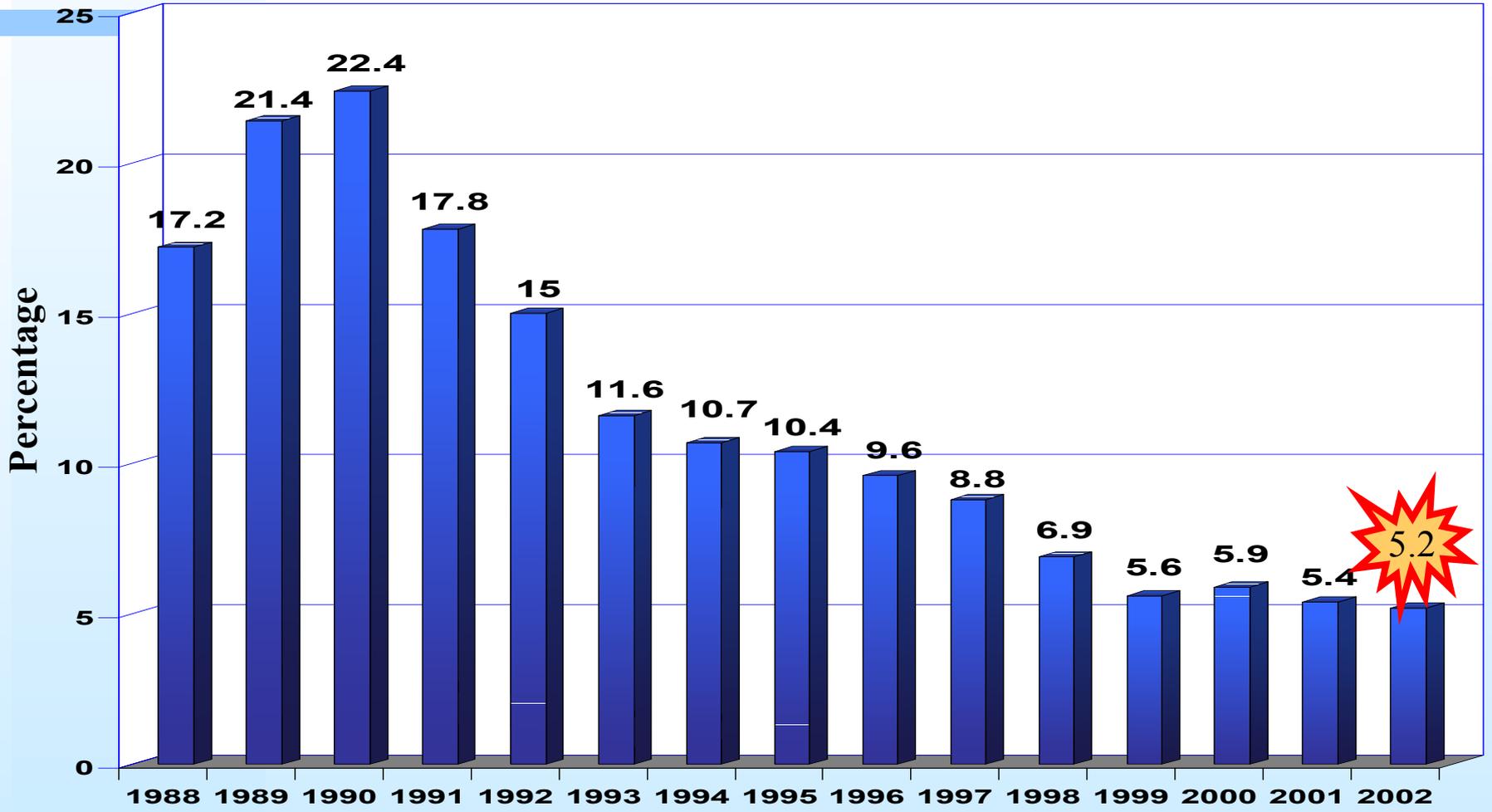
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Default Rates

National Student Loan Default Rates

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
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Default Rate by Sector (FY 2000-2002)

School Type	FY 2000	FY 2001	FY 2002
Public – 2 Year	9.2%	8.6%	8.5%
Public – 4 Year	4.8%	4.4%	4.0%
Private – 2 Year	6.9%	6.8%	6.1%
Private – 4 Year	3.8%	3.3%	3.1%
Proprietary	9.4%	9.0%	8.7%
Foreign	2.6%	2.3%	2.0%
National Rate	5.9%	5.4%	5.2%

CPS Policy Issues

Secondary EFC

❑ Primary EFC – EFC applicant is statutorily entitled to.

- Regular EFC – Uses all data**
- Simplified Needs Test EFC – Uses all data except assets**
- Auto Zero EFC – EFC equals zero regardless of other data**

❑ Secondary EFC

Calculated when data on the application support an EFC calculation under the Simplified Needs Test (SNT) but there is sufficient asset data to calculate a ‘Regular’ EFC

Secondary EFC

- ❑ Secondary EFC will still be reported on ISIR, but –**
 - May not be used to pay Title IV aid**
 - If flagged on COD record, will be ignored**
- ❑ If student not eligible for SNT (or Auto Zero) –**
 - Corrections to records must be submitted to CPS**
 - Payment made on resultant transaction where regular EFC will be reported as primary EFC**

SSN Match

- ❑ HEA requires match with SSA
- ❑ Important that identifiers be accurate
 - Same as SSA
- ❑ Identifiers flow through aid processes
 - FAFSA to CPS to ISIR to school
 - School to COD (Pell and DL) or FFEL
 - School, COD, or FFEL to P-Note
 - Lender (DL or FFEL) to Loan Records

SSN Match

CPS Processing	2004-05	2005-06
SSN not in SSA database	Hard Reject	Hard Reject
SSN for deceased person	Hard Reject	Hard Reject
DOB does not match SSA	Verifiable Reject*	Verifiable Reject*
Name does not match SSA	“C” Flag ISIR	Verifiable Reject*

*** If verified, new transaction results in a “C” Flag ISIR**

Veteran's Match

When no positive match with VA –

❑ Current (2004-05)

- CPS changes Question 54 to 'No'**
- Student now dependent**
- Usually reject – no parent signature**
- Student provides proof (DD214) to FAA who does a dependency override**

Veteran's Match

When no positive match with VA –

❑ New (2005-06)

- No change to Question 54**
- Student remains independent**
- Comment and 'C' Code**
- Student provides proof (DD214) to FAA**
- If no proof, FAA changes Question 54**
- Parental signatures and data needed**



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Recent Letters

Recent Letters Campus Based

- ❑ **CB-04-12 (Nov) FISAP Edits**
- ❑ **CB-04-11 (Sep) Default Reduction Program**
- ❑ **CB-04-10 (Sep) Supplemental Awards**
- ❑ **CB-04-09 (Jun) 2005-06 FISAP**
- ❑ **CB-05-08 (Jun) 2003-04 CB Reallocation**
- ❑ **CB-04-07 (May) Perkins Loan Cancellations**
- ❑ **CB-04-06 (Apr) 2002-03 Close Out**
- ❑ **CB-04-05 (Mar) 2004-05 FWS C/S Waivers**

Recent Letters General

- ❑ **GEN-04-13 (Nov) Ordering FAFSAs**
- ❑ **GEN-04-12 (Nov) GEN-04-03 Modified**
- ❑ **GEN-04-11 (Oct) Reporting of Foreign Gifts**
- ❑ **GEN-04-10 (Sep) Use of ED-PIN**
- ❑ **GEN-04-09 (Sep) Recent Hurricanes**
- ❑ **GEN-04-08 (Sep) Required Electronics**
- ❑ **GEN-04-07 (Jul) Ombudsman Contact Info**
- ❑ **GEN-04-06 (Jul) XML Schedule**
- ❑ **GEN-04-04 (Feb) Disaster Letter**
- ❑ **GEN-04-03 (Feb) Return of Title IV Aid**

Foreign Gift Reporting (GEN-04-11)

Foreign Gift Reporting

□ Why?

- Required by section 117 of the HEA
- Condition of Title IV participation

□ Who?

- All domestic institutions that offer a bachelor's degree or higher, or that offer a transfer program of not less than two years that is acceptable for credit toward a bachelor's degree, are required to report.

□ Triggers?

- Must report if total of all gifts/contracts with a foreign source exceeds \$250,000 in any calendar year or it is owned or controlled by a foreign source.

Foreign Gift Reporting

❑ When?

- No later than the January 31 or July 31, whichever is sooner, that immediately follows the activity that triggers the need for a report.

❑ How?

- Use FSA's electronic application process (eAPP) (www.eligcert.ed.gov). Submit the report electronically and mail in the signature page to the address provided.

❑ More Information?

- Case Management Team for your State. The telephone numbers for the Case Teams can be found at www.eligcert.ed.gov.



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Use of PIN

(GEN-04-10)

Requesting and Using an ED-PIN

ED-PIN Used –

- As part of electronic signature
- To access Privacy Act information

Requirements

- Requestor must be PIN-Owner
- Must be sent to PIN-Owner (email, USPS)
- Only used by PIN-Owner

Requesting and Using an ED-PIN

If ED-PIN Compromised –

- Not Issue ED-PIN
- De-Activate ED-PIN
- Invalidate Documents
 - FAFSA's
 - Prom Notes

System Requirements (GEN-04-08)

System Requirements Dear Partner Letter

- ❑ **Minimum and Optimal Requirements for Desktop PC**
 - ISIRs
 - COD
 - DL

- ❑ **For 2005-2006 Processing**
 - All schools use COD Common Record – XML
 - All schools must submit audits and financial statements using eZ-Audit

System Requirements

Minimum

IBM Compatible

1.2 GHz Speed

512 MB RAM

60 GB Hard Drive

56 Kbps Modem

3.5/1.44 MB Disk Drive

SVGA Monitor

Windows Keypad

Laser Printer (8.5 x 11)

48x CD-ROM Drive

Optimal

Intel/AMD Compatible

Pentium 4 – 2.80 GHz

1 GB SDRAM

80 GB Hard Drive

DSL Line or High Speed

3.5/1.44 MB Disk Drive

SVGA Monitor

Windows Keypad

Laser Printer (8.5 x 11)

48x CD-ROM Drive

System Requirements

Operating Systems

FSA Supports –

- Windows 2000**
- Windows XP Professional**

FSA Supports Until July 1, 2006 –

- Windows 98**
- Windows 98SE**
- Windows ME**

FSA Does Not Support –

- Windows 95**
- Windows XP Home**



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Compliance Initiative

Compliance Initiative

INCREASE IN PROGRAM INTEGRITY

- Analyze data to detect unusual characteristics for indication of risk for non-compliance
- Conduct fact-finding field work
- Take oversight action

Types of Data Anomalies

- Federal Perkins Loans in default for ten or more years**
- Dependency overrides or professional judgment exercised at rates substantially above the national average**
- Closed School Loan Discharges paid to students where main location remains open**
- Same AGI reported on FAFSAs from year to year**

Data Anomalies (continued)

- Ages of applicants
- First year Stafford Loans >\$2,625
- Stafford Loans not prorated for short programs
- No NSLDS Transfer Monitoring profile
- Verification



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Experimental Sites

Experimental Sites

Section 487A(b) HEA

Purpose:

A limited number of institutions participate voluntarily as experimental sites to provide recommendations to the Secretary on the impact and effectiveness of proposed regulations or new management initiatives.

Experimental Sites

Current Experiments

- Ability to Benefit Flexibility
- Overaward Tolerance
- Entrance Loan Counseling
- Exit Loan Counseling
- Multiple Disbursement for Single Term Loans
- Thirty-Day Delay
- Loan Fees in Cost of Attendance
- Loan Proration for Graduating Borrowers
- Credit Title IV Aid to Institutional Charges
- Credit Title IV Aid to Prior Term Charges



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IRS Match

IRS Match

Two Words to Remember --

“Uncertainty”

“Collaboration”

What is the Legal Status of FAFSA – IRS Match?

- ❑ **1998 Reauthorization Allowed Match**
- ❑ **Internal Revenue Code Section 6103 must be amended**
- ❑ **HR 3613 – the “Student Aid Streamlined Disclosure Act of 2003”**
 - **Introduced November 21, 2003**
 - **House Ways and Means Subcommittee on Oversight**
 - **Invitation to Comment**
 - **No Action**



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Tax Filer Reminders

Tax Filer Reminders

Purpose:

To encourage applicants to update CPS with actual tax return data.

Date:

Shortly after April 15, 2004 - One-time only

Method:

Email if applicant provided email address

Paper if no email address provided

Tax Filer Reminders

Who:

Student and/or parent where --

- Estimated tax filer on latest transaction
- Not selected for verification
- No professional judgment
- Not graduate/professional student
- EFC \$6,000 or less

Tax Filer Reminders

Message:

- Compare FAFSA information with tax return
- Make corrections
 - Web or paper
- Do not update if school has asked for 1040 forms



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Thank You