

Federal Update

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Today's Topics

- Appropriations and Budget
- Legislative Update
- Cohort Default Rates
- Direct Loan Transition
- Split Borrowers
- IRS Data Retrieval
- Two Pell's In One Award Year
- Regulatory Update
- Other



Appropriations and Program Budget



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Title IV Appropriations

Program	FY 2009* (AY 09-10)	FY 2010 (AY 10-11)	FY 2011** (AY 11-12)
Pell Grant (Max Award)	\$36,492,000,000 \$5,350	\$26,988,100,000 \$5,550	\$34,878,000,000 \$5,710
FSEOG	\$ 757,500,000	\$ 757,500,000	\$ 757,500,000
FWS	\$ 1,180,500,000	\$ 980,500,000	\$ 980,500,000
Perkins	\$ 67,200,000	—	\$ (101,000,000)
LEAP	\$ 63,852,000	\$ 63,852,000	—
ACG/SMART	\$ 73,000,000	\$ 1,336,000,000	—

* Includes Recovery Act funding

** President's FY 2011 Budget Request



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Title IV Aid Available

Program	FY 2010 (AY 10-11)	FY 2011* (AY 11-12)
Pell Grant (Max Award)	\$ 32,295,200,000 \$5,550	\$ 34,834,300,000 \$5,710
FSEOG	\$ 958,800,000	\$ 958,800,000
FWS	\$ 1,170,800,000	\$ 1,170,800,000
Perkins	\$ 1,041,500,000	\$ 2,609,200,000
LEAP	\$ 161,555,000	—
ACG/SMART	\$ 932,000,000	—
TEACH	\$ 79,800,000	\$ 93,200,000
Loans	\$ 108,762,900,000	\$ 116,393,200,000
TOTAL	\$145,402,555,000	\$156,059,500,000



Legislative Update

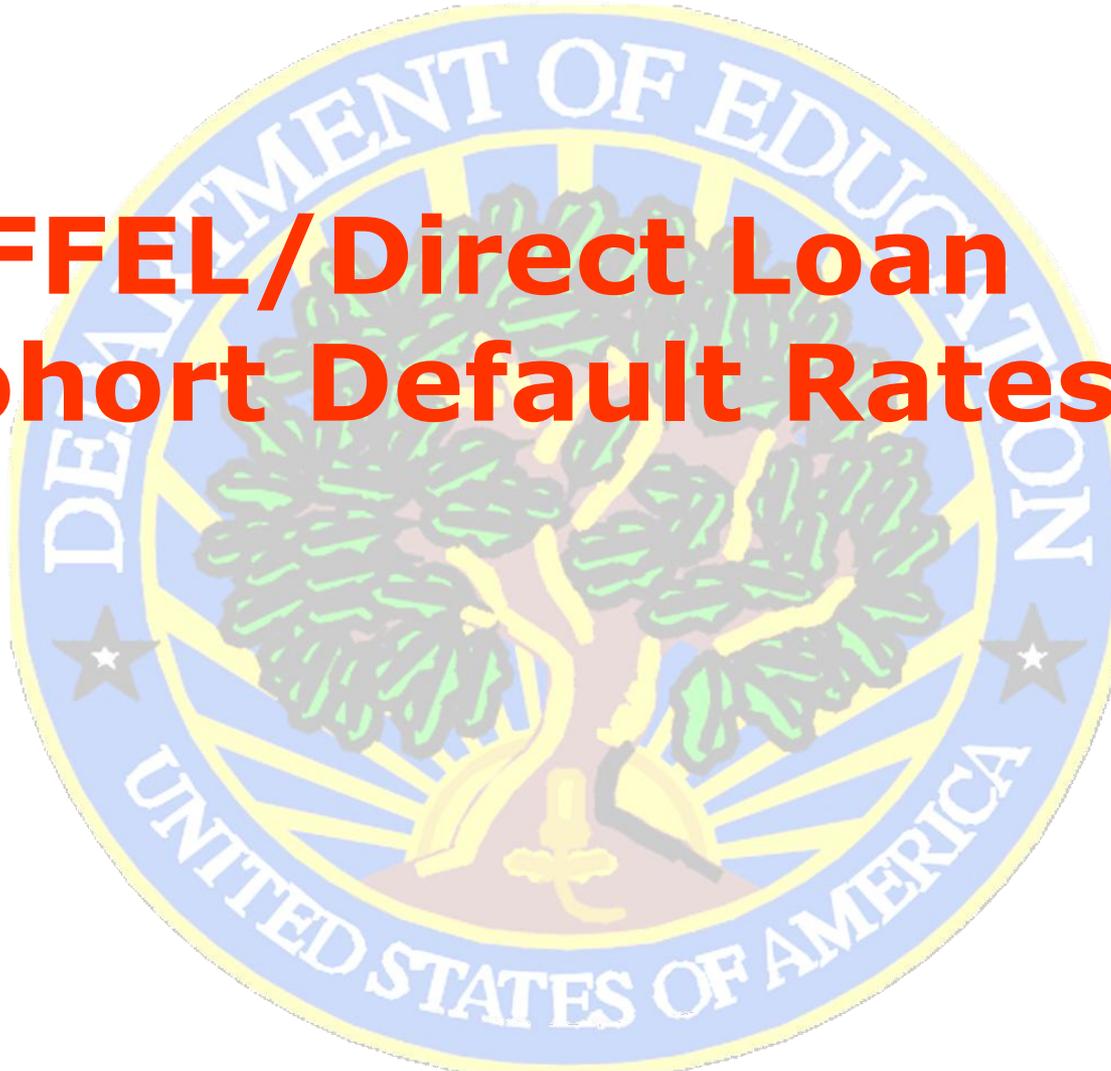


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FFEL / Direct Loan Cohort Default Rates



What is the CDR Calculation?

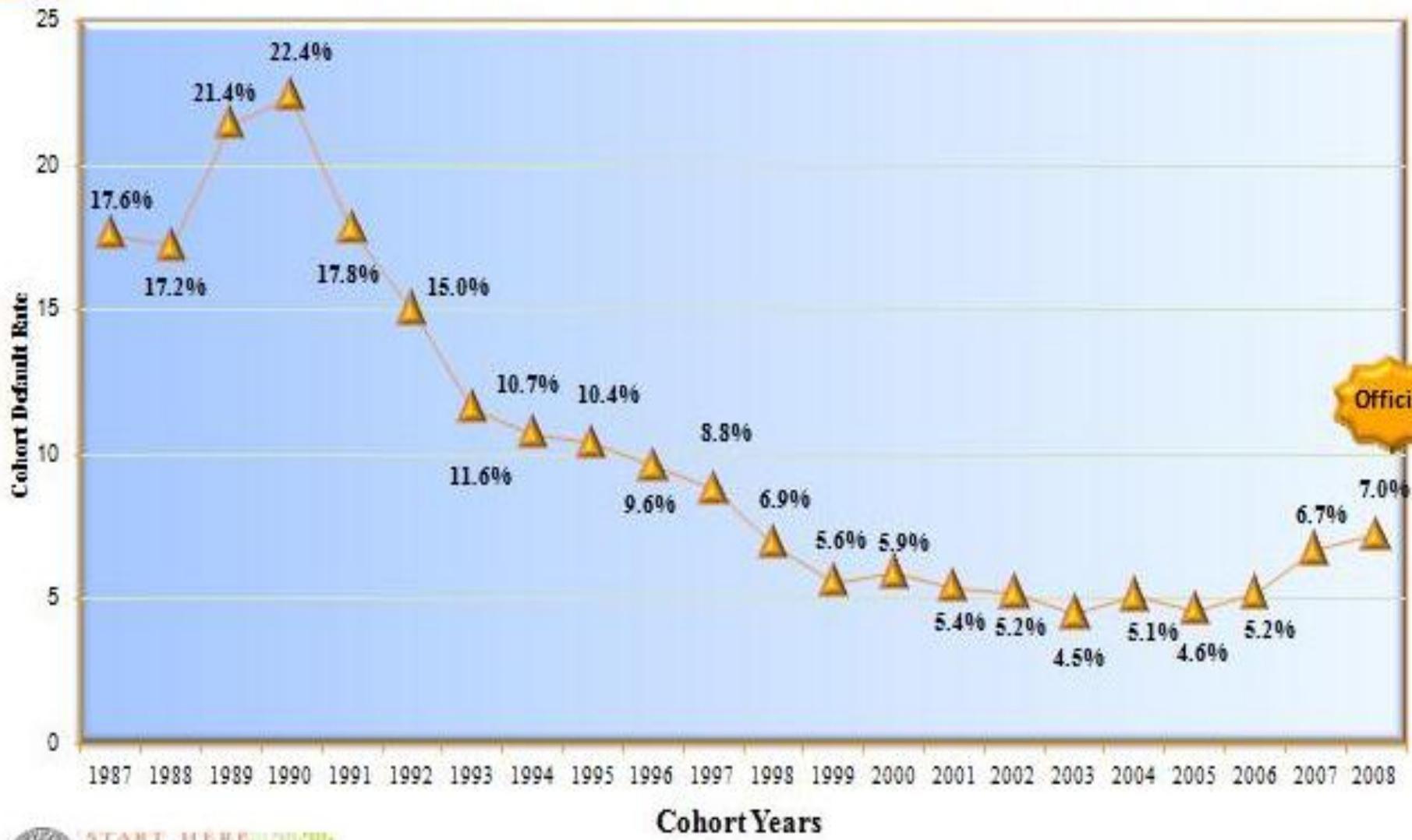
- Currently, a school's cohort default rate is the percentage of the number of the school's FFEL and Direct Loan borrowers who enter repayment in one Federal Fiscal Year (October 1 through September 30) *who default in that federal fiscal year or by the end of the next federal fiscal year.*



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



Official

HEOA Changes

- Increases the CDR monitoring period from two to three years.
- Beginning with the 2009 cohort, the calculation will be:
 - Borrowers *who default in that federal fiscal year or by the end of the next two federal fiscal years.*
 - Establishes a three-year transition period for sanctions.



2-Year Versus 3-Year Calculation



The **Numerator** is the number of borrowers from the denominator who default within a cohort period



The **Denominator** is the number of borrowers who enter repayment within a cohort period

FY-09	FY-10
125	230
5,000	

$$\frac{355}{5000} = .071 \text{ or } 7.1\%$$

FY-09	FY-10	FY-11
125	230	250
5,000		

$$\frac{605}{5000} = .121 \text{ or } 12.1\%$$



Direct Loan Transition



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Direct Loan Transition

- Origination and disbursement transition implemented successfully
- Next Test: Reconciliation



Direct Loan Transition

- Contracted with 4 additional servicers
 - ACS (current servicer)
 - Nelnet
 - Sallie Mae
 - Great Lakes Education Loan Services
 - AES/PHEAA
- Additional non-profit servicers coming
- Will “service” borrowers only...no origination responsibility



Split Borrowers



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“Split “ Borrowers

- When a borrower has Title IV loans serviced by two or more servicers.
- More about ECASLA FFEL loans purchased by ED than Direct Loan transition.
- Direct Loans and ED-owned FFEL loans are federal assets.
- Non ED-owned FFEL loans are not federal assets.

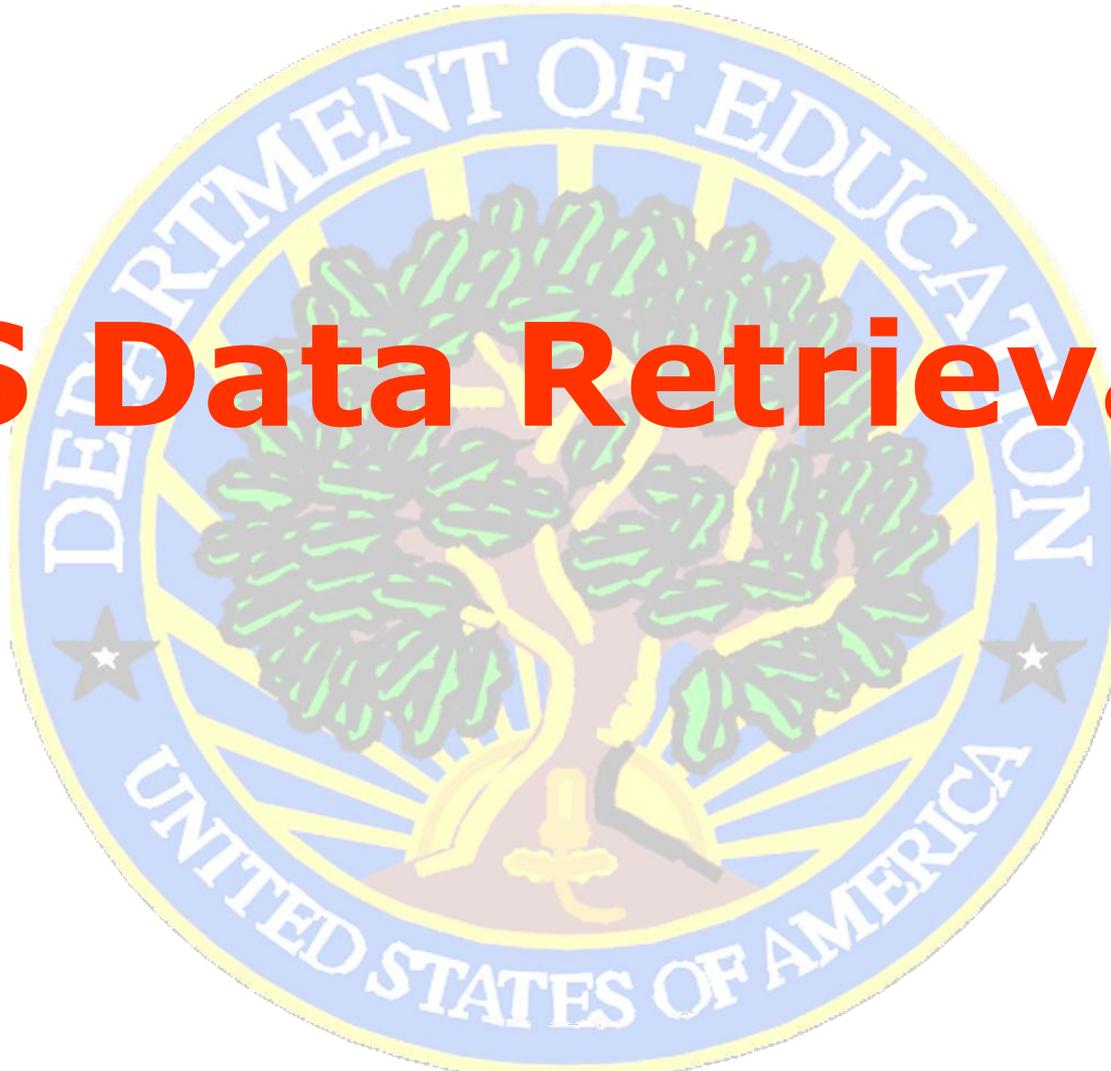


“Split “ Borrowers

- By law, federal assets cannot be combined with non-federal assets.
- FSA is working to have all loans that it holds (Direct Loans and ED-owned FFEL loans) for a borrower serviced by one servicer.
 - One bill, one payment
- Consolidation can combine all loans into one federal asset (Direct Consolidation Loan).



IRS Data Retrieval



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IRS-FSA Concept

- FSA and the Internal Revenue Service (IRS) developed a **non-consent based** solution to simplify FAFSA completion.
- Will allow some applicants to retrieve their income tax data from the IRS.
- Tax filer voluntarily retrieves own data.
- Tax filer can choose to automatically transfer IRS data to FOTW.



Option to Access IRS Information



Help Contact Us FAQs Live Help

- 1 Info About You (the Student)
- 2 Your Dependency Status
- 3 Your Parents' Information
- 4 Your Finances
- 5 Schools to Receive Your Results
- 6 Preparer's Information
- 7 Review FAFSA and Apply Signatures
- 8 Submit Your FAFSA

Your Parents' Information

View Your IRS Information

You, the parent, may link to the IRS and view your 2008 tax information. You will also have the option to securely transfer your IRS information into this FAFSA.

View IRS Information [How it works](#)

Enter your PIN and click **Link To IRS**.

Which parent are you?

What is your PIN?

[Apply For A PIN](#)
[I Forgot/Don't Know My PIN](#)

LINK TO IRS

Skip This Option

Click **Skip This Option** if you do not want to use this tool.

If your 2008 IRS tax filing status is [married filing separately](#), you filed an [amended tax return](#), or you filed a [foreign tax return](#), we recommend that you **Skip This Option**.

SKIP THIS OPTION

PREVIOUS LINK TO IRS



Get My Federal Income Tax Information



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Get My Federal Income Tax Information

See our [Privacy Notice](#) regarding our request for your personal information.

Enter the following information as it appears on your <2008> Federal Income Tax Return. [?](#)

Required fields*

First Name*	<input type="text" value="Joe"/>
Last Name*	<input type="text" value="Smith"/>
Social Security Number*	*** - ** - 6789
Date of Birth*	<input type="text" value="01"/> / <input type="text" value="04"/> / <input type="text" value="1990"/>
Address* ? P.O. Box and/or Street Address	<input type="text"/>
	<input type="text"/>
	<input type="text"/>
Apt. Number (Required if it appears on your tax return)	<input type="text"/>
Country*	<input type="text" value="United States"/> v
City, Town or Post Office*	<input type="text"/>
State/U.S. Territory*	<input type="text" value="Select One"/> v
ZIP Code*	<input type="text"/>
Filing Status*	<input type="text" value="Select One"/> v

By submitting this information, you certify that you are the person identified. Use of this system to access another person's information may result in civil and criminal penalties.

Federal Income Tax Information Provided



Internal Revenue Service
United States Department of the Treasury

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Student <2008> Federal Income Tax Information

The information below is your tax information that will help you answer some of the questions on the FAFSA.

	My Tax Information	FAFSA Question Numbers
Tax Year	2008	
Name (s)	Jane Smith	
Social Security Number	***-**-6789	
Filing Status	Single	
Type of Tax Return Filed	1040	Question 34 on the FAFSA
Adjusted Gross Income	\$36,721	Question 36 on the FAFSA
Income Tax	\$3,400	Question 37 on the FAFSA
IRS Exemptions	2	Question 38 on the FAFSA
Education Credits	\$2,500	Question 46a on the FAFSA
IRA Deductions and Payments	\$2,500	Question 47b on the FAFSA
Tax-Exempt Interest Income	\$2,500	Question 47d on the FAFSA
Untaxed IRA Distributions	\$2,500	Question 47e on the FAFSA
Untaxed Pensions	\$2,500	Question 47f on the FAFSA

Transfer My Tax Information into the FAFSA

- The tax information provided above will populate the answers to the appropriate FAFSA questions. After the FAFSA is populated your IRS session will end and return you to FAFSA on the Web. Check this box if you are choosing to transfer your information.

Print this page for your records before clicking the "Transfer Now" button.

[Transfer Now](#)



Do Not Transfer My Tax Information

- By clicking the "Log Out" button, you are choosing not to transfer your tax information electronically. You may still use this tax information to input the data into your FAFSA application. Print this page for your records before clicking the "Log Out" button.

[Log Out](#)



- 1 Info About You (the Student)
- 2 Your Dependency Status
- 3 Your Parents' Information**
- 4 Your Finances
- 5 Schools to Receive Your Results
- 6 Preparer's Information
- 7 Review FAFSA and Apply Signatures
- 8 Submit Your FAFSA

Your Parents' Information

You have successfully transferred your 2008 IRS tax information.

Your IRS tax information will display throughout the FAFSA with the notation "Transferred from the IRS".

What income tax return did your parents file or will they file for 2008 (question 83)?	Transferred from the IRS
	1040 ▼

If your parents have filed or will file a 1040, were they eligible to file a 1040A or 1040EZ (question 84)?

Select **Yes** if your parents filed or will file a 1040 but were eligible to file a 1040A or 1040EZ.

In general, your parents are eligible to file a 1040A or 1040EZ if they:

- Make less than \$100,000 per year,
- Do not itemize deductions,
- Do not receive income from their own business or farm,
- Do not receive self-employment income or alimony,
- Are not required to file Schedule D for capital gains.

Your parents are **not** eligible to file a 1040A or 1040EZ if they:

- Make \$100,000 or more per year,
- Itemize deductions,
- Receive income from their own business or farm,

Select ▼

Enhancements

- Beginning with the 2011-12 processing year, the IRS data retrieval process can be accessed by the applicant using Corrections on the Web.



ISIR Codes and Flags

- CPS will set flags and comment codes to indicate that the student and/or parent transferred IRS data into FOTW.
- Comment codes will appear in –
 - FAA Information section of the ISIR
 - Student Inquiry section of FAA Access
- Flags and codes set based on certain conditions.



IRS Data and Verification

- An institution may consider as acceptable documentation IRS retrieved information if the Secretary has identified those items as having come from the IRS and not been changed – IRS Request Flag = 02.



Two Pell Grants in an Award Year



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Two Pell's In An Award Year

- Authorized by the Higher Education Opportunity Act (HEOA).
- If eligible, student able to receive all or a portion of a second Scheduled Award within an Award Year.
- Objective is to help needy students accelerate their academic progress.
- Effective beginning with the 2009-2010 Award Year.

Regulations

- Team V-General and Non-loan Programmatic Issues in 2009
- Notice of Proposed Rulemaking: August 21, 2009
- Final regulations: October 29, 2009
- Effective beginning with the 2010-2011 Award Year

Unchanged Pell Rules

- Scheduled Award
 - Amount that full-time student would receive for a full academic year based on the student's EFC (and COA).
 - Prorated by payment period based on hours and weeks of instructional time attended – Pell Formulas.
- Payment periods
- Payment for a payment period calculations



Changed Pell Rules

- Scheduled Award –
 - Old: Student may receive only one Scheduled Award in an award year.
 - New: Student may receive more than one Scheduled Award in an award year.



Cross-Over Term Payment Period

- Effective with the 2010-2011 Award Year, must assign to award year in which student receives greater payment for the term.



Academic Year Progression

- At least one credit or clock hour in the payment period when award will be from a second Scheduled Award must be attributable to the student's next academic year.
- Gives meaning to statutory use of term "accelerate"
- Not "grade progression"



Regulatory Update



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Program Integrity Regs

- NPRMs published June 18 - To improve the integrity of the Title IV student assistance programs.
- Comment Period Ended August 2, 2010
- **Final regulations published on Oct. 29, 2010**
- **Generally effective July 1, 2011 (2011-2012 AY)**
- **Verification effective with the 2012-2013 AY**



Program Integrity Regs – Part 1

- Policy Objectives –
 - Ensuring that only eligible students receive federal funds.
 - Protecting consumers (students and families).
 - Clarifying eligible coursework.
 - A few others.



Program Integrity Regs - Part 1

- Ensuring that only eligible students receive federal funds.
 - High School Diploma: Requires institutions to develop and follow procedures to evaluate the validity of a student's high school diploma if the institution or the Secretary has reason to believe that the diploma is not valid or was not obtained from an entity that provides secondary school education.



Program Integrity Regs - Part 1

- Ensuring that only eligible students receive federal funds.
- High School Diploma:
 - FAFSA will ask student to indicate high school.
 - First-year students only
 - Being on the list does not mean “approved”
 - Not being on the list does not mean “unapproved” or “questionable”



Program Integrity Regs – Part 1

- Ensuring that only eligible students receive federal funds.
- Ability to Benefit:
 - Extends eligibility for federal student aid to students without high school diplomas after they successfully complete six credit hours or 225 clock hours of college work.
 - Improved oversight of test publishers, test administrators, and testing centers.



Program Integrity Regs – Part 1

- Ensuring that only eligible students receive federal funds.
 - Satisfactory Academic Progress: Requires a structured and consistent approach to evaluating a student's academic work, while continuing to provide flexibility to institutions in establishing their policies.
 - If SAP monitored each payment period, can use warning, then probation.
 - If SAP monitored only once each year, must use “probation”.
 - Probation requires a plan for resolution.



Program Integrity Regs – Part 1

- Ensuring that only eligible students receive federal funds.
 - Verification:
 - Replaces the five verification items for all selected applicants with a targeted selection of items based upon each student's characteristics.
 - Eliminates the 30 percent institutional verification cap.
 - Requires the processing of all changes and corrections to an applicant's FAFSA information.



Program Integrity Regs – Part 1

- Protecting consumers.
 - **Misrepresentation:** Strengthens the Department's authority to take action against institutions engaging in deceptive advertising, marketing, and sales practices
 - **State Authorization:** Clarifies this important state responsibility
 - **Credit Hour:** Defines a credit hour and establishes procedures for accrediting agencies to determine whether an institution's assignment of a credit hour is acceptable



Program Integrity Regs – Part 1

Protecting consumers.

- **Incentive Compensation:** Removes the "safe harbor" provisions and generally relies on the statutory language for guidance and enforcement.

Institutional requirement—

- School will not provide a commission/bonus or other incentive payment based, *in any part* directly or indirectly, on success in securing enrollments or financial aid to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding awarding Title IV funds



Program Integrity Regs – Part 1

- **Clarifying eligible coursework:**
 - **Written Agreements:**
 - Limits the amount of a program that can be provided by another school.
 - Requires disclosures to students and potential students.
 - Prohibits arrangements between ineligible institutions that have had their federal student aid participation revoked.



Program Integrity Regs – Part 1

- **Other:**

- **Return of Title IV Aid:**

- Modifies and clarifies the definition of when a student is considered to have withdrawn from a program.
 - Clarifies the circumstances under which an institution is required to take attendance for the purpose of determining last date of attendance.



Program Integrity Regs – Part 1

- **Other:**

- **Disbursing Federal Student Aid Funds:**

Requires institution to ensure that Pell Grant recipients have resources to obtain books and supplies by the seventh day of payment period.

- **Retaking Coursework:** Allows repeated coursework to count toward enrollment status.



Program Integrity Regs

GAINFUL EMPLOYMENT

NPRM published on July 26, 2010.

- Final regulations for some provisions published on October 29, 2010.
 - Effective July 1, 2011
- More final regulations scheduled to be published in January.
 - Effective July 1, 2012



Program Integrity Regs – Part 1

Protecting consumers.

- Gainful Employment (GE):
 - Programs at for-profit institutions and occupationally specific training at other institutions must lead to gainful employment in a recognized occupation.
 - Currently there is no standard to measure “gainful employment”. These rules will establish such a standard.
 - Public comment received along with a number of studies, reports, and media reports point to the need to regulate in this area.



GE –Covered Programs

- Proprietary Institution of Higher Education and Postsecondary Vocational Institution
 - All programs must prepare students for *gainful employment* in a recognized occupation
 - Exceptions
 - Program leading to baccalaureate degree in liberal arts (proprietary institution)
 - Comprehensive transition program for students with intellectual disabilities (vocational institutions)



GE –Covered Programs

- Public/Private Non-profit Institution of Higher Education
 - Non-degree/certificate programs must prepare students for *gainful employment* in a recognized occupation
 - Two exceptions
 - Transfer program
 - Comprehensive transition program for students with intellectual disabilities



Program Integrity Regs – Part 1

Reporting

- Institutions with “gainful employment” programs must report to ED information on students enrolled in gainful employment programs.
 - Student Identifiers
 - Enrollment Status
 - Non-Title IV educational debt
- Effective July 1, 2011



Program Integrity Regs – Part 1

Disclosures

- Institutions with “gainful employment” programs must provide prospective students with each eligible program's graduation and job placement rates, and provide the Department with information that will allow for the determination of student debt levels and incomes after program completion.
- Effective July 1, 2011



Program Integrity Regs – Part 2

Additional Gainful Employment Programs

- Institutions seeking to add a “gainful employment” program must inform ED.
- Must document an employment need in their community for graduates of the program.
- Effective July 1, 2011



Program Integrity Regs – Part 3

Gainful Employment Metrics

- Final rule expected to be published in early 2011
 - Effective July 1, 2012
- Defines “gainful” to be when a substantial number of the program’s students –
 - Are repaying their Title IV loans (Repayment Rate)
 - Have a reasonable debt burden (Debt to Earnings Ratio).



Gainful Employment Metrics

Repayment Rate

The percentage of the outstanding principal balance of the federal loans taken by the academic program's former students who entered repayment in the previous four years that has been repaid.

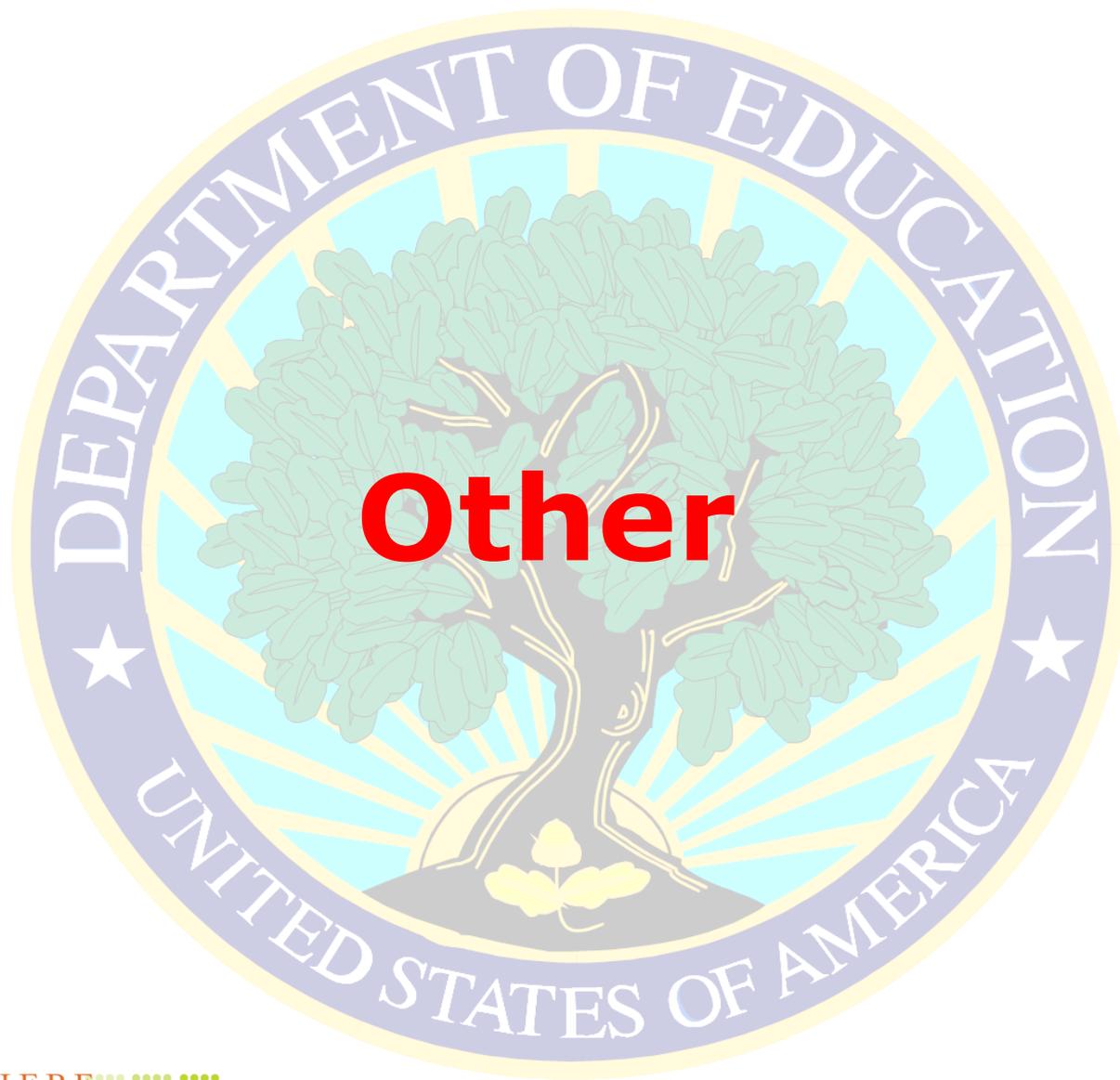


Gainful Employment Metrics

Debt to Earnings Ratio

For the academic program's completers, the average educational loan payments (federal, private, and institutional financing plans) as a proportion of the borrower's income (either discretionary income or average annual earnings). Loan payment amount based on a 10-year amortization schedule at 6.8 percent.





Other



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FINAL WORDS

- Asset Protection Allowances
- Windows 7 Functionality
- Disbursements, COD, and G5
- Parent PLUS and Student FAFSA
- COD- Ability-to-Benefit