

# **Federal Update**

**Jeff Baker**  
**Federal Student Aid**

**David Bergeron**  
**Office of Postsecondary Education**

**Dan Madzellan**  
**Office of Postsecondary Education**



# Experimental Sites Initiative (ESI)



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# ESI Federal Register Notice

- Published October 27, 2011
- Solicits requests to participate in one or more of eight experiments
- Deadline – December 12, 2011
- Not burden reduction but real experiments to determine if alternatives produce valuable results
  - Experimental and control groups
  - Collection of significant amounts of data with analysis by ED



# ESI Federal Register Notice

- Student Eligibility
  - Eligibility of students with intellectual disabilities who are also enrolled in high school
- Pell Grant
  - Students with BA eligible for vocational programs
  - Short-term vocational programs eligible programs



# ESI Federal Register Notice

- Direct Loan:
  - Single disbursement for study abroad students for one-term loan period
  - Early disbursement for students in study abroad programs and at foreign institutions
  - Unequal disbursements
  - Limiting unsubsidized loan amounts
  - PLUS Loans for parents of students with intellectual disabilities





**FFEL Guaranty  
Agency (GA)  
Voluntary Flexible  
Agreements  
(VFA)**



# Voluntary Flexible Agreements

- Authority – HEA option for alternate GA Agreement with Department
- Why – Diminishing revenues for GAs
- What – GA performs certain activities on for a negotiated amount
- Status – ED currently reviewing GA proposals
- When – Likely finalized in spring



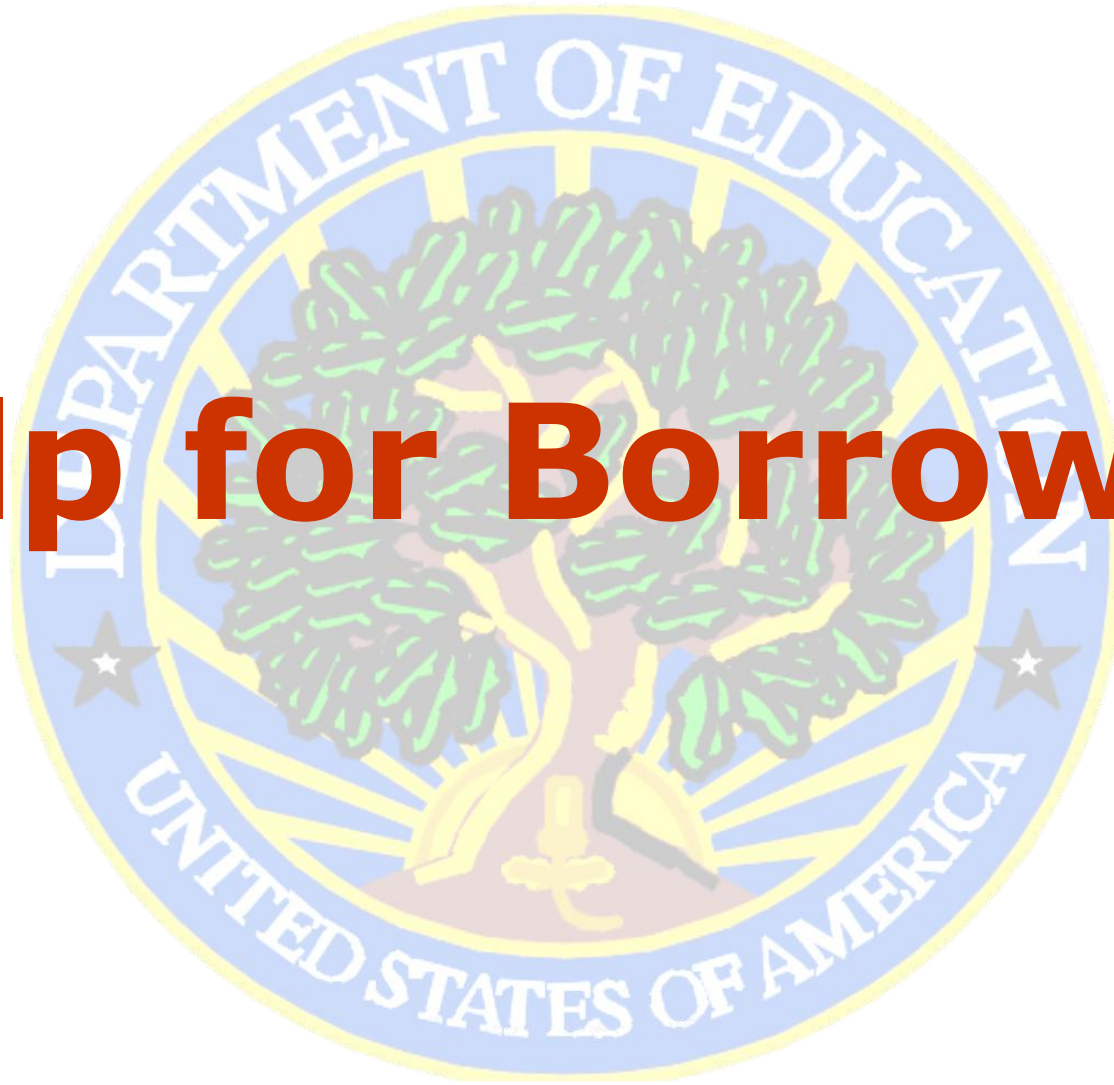
# Voluntary Flexible Agreements

- VFA GA Activities
  - Review and payment of FFEL Program lender default claims
  - Default collections
  - Default management and prevention
  - Community outreach, school training, school oversight
  - Lender Oversight





# Help for Borrowers



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# Special Direct Consolidation Loans



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# Regular Direct Consolidation Loan

- Borrowers with any federal student loan
  - FFEL, Direct Loan, Perkins, HHS
- New Direct Consolidation Loan
  - Underlying loans paid off
  - New Repayment Period
  - Interest Rate – Fixed
    - Weighted average rounded up to the next 1.8 Percent



# Special Direct Consolidation Loan

- January through June 2012.
- Only for “Split Borrowers”
  - Loans held by ED and FFEL lender
    - ED Held Loans –Direct Loans and ‘PUT’ FFEL Loans
- Only commercial FFEL to be consolidated (not ED held)
- FFEL Program lender is paid
- Underlying loans maintain identity
  - Same terms, conditions, dates



# Special Direct Consolidation Loan

- Benefits –
  - Single holder/servicer/bill/payment
  - Loans maintain terms and conditions
  - Reduction in interest rate of 0.25%
    - Additional 0.25% reduction for EFT
  - Public Service Loan Forgiveness



# Income Based Repayment Plans



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# Income Based Repayment (IBR) Plan

- Current Law –
  - Maximum annual payment amount is 15% of discretionary income.
  - Remaining balance forgiven after 25 years.
- New Law (SAFRA) – Effective 2014
  - Maximum annual payment amount is 10% of discretionary income
  - Remaining balance forgiven after 20 years.



# Income Contingent Repayment Plan

- Current –
  - Regulatory defined formula
    - Complex
    - Loan amount and income
    - Remaining balance forgiven after 25 years.
  - Limited “take-up” rate





# Revised Repayment Plan

- Proposal to amend ICR to –
  - Accelerate 2014 IBR changes
    - Reduce from 15% of discretionary income to 10%
    - Reduce forgiveness time from 25 years to 20 years
  - Negotiated rulemaking required
    - Will begin in January 2012



# The Budget Act



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# Budget Act

- On August 2, 2011, the President signed the Budget Control Act (BCA) of 2011 (Pub. L. 12-025).
- Act makes two changes to the Direct Loan Program:
  - Loss of Eligibility for Subsidized Loans for Graduate and Professional Students.
  - Termination of Direct Loan Borrower Repayment Incentives.



# Subsidized Loans

## Loss of Eligibility for Subsidized Loans

- Effective for loans made for loan periods beginning on or after July 1, 2012.
- Subsidized Loans for loan periods beginning before July 1, 2012 remain unchanged.
- COD will enforce

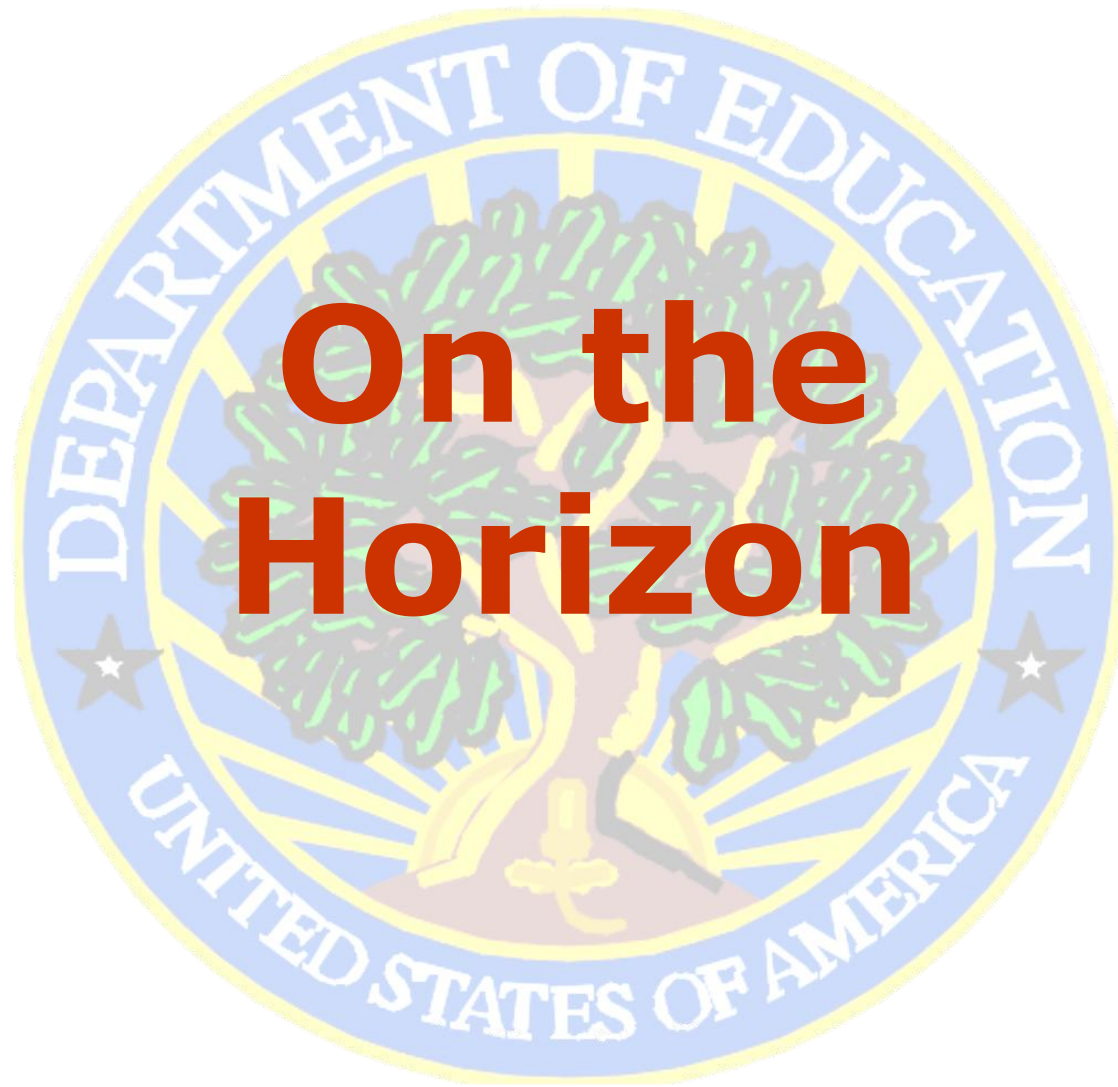


# Repayment Incentives

## Termination of Direct Loan Incentives

- Terminates repayment incentives to encourage on-time repayment of loans.
  - Effective for loans first disbursed on or after July 1, 2012.
  - COD will enforce
- Allows interest rate reduction to borrowers who repay electronically.





# On the Horizon



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# Regulations

- Notice of Proposed Rulemaking
  - Gainful Employment - New Programs Notification Requirements
    - NPRM Published: September 27, 2011
    - Comments Due: November 14
    - FINAL: Winter 2012



# Regulations

- Negotiated Rulemaking
  - Student loans:
    - Income-based repayment
    - “Naturally readable” Direct Loan regulations
    - Total and permanent disability





# Regulations

- Negotiated Rulemaking
  - Teacher Preparation
    - TEACH Grants
    - Institutional reporting & State accountability



# NACIQI

- National Advisory Committee on Institutional Quality and Integrity
  - Review of accreditation and institutional oversight
  - June Public Meeting
    - General discussion of the issues and options
  - December Public Meeting
    - Draft report out the week of **October 31**



# FFEL / Direct Loan Cohort Default Rates



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# What is the CDR Calculation

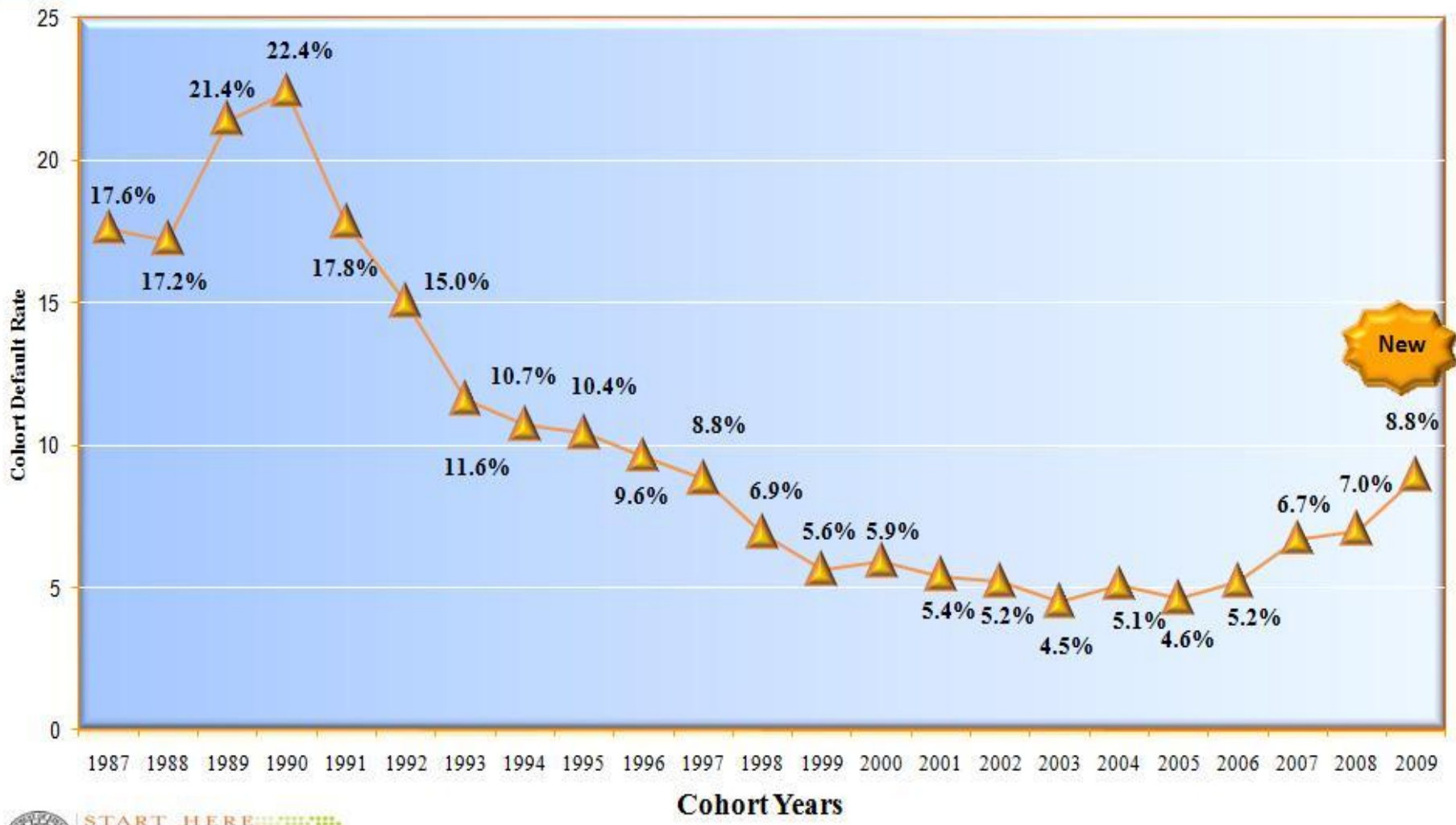
- A cohort default rate is the percentage of the number of the school's FFEL and Direct Loan borrowers who enter repayment in one Federal Fiscal Year (October 1 through September 30) who default in that federal fiscal year or by the end of the next federal fiscal year.
- **See Sessions #09 and #16**



# 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



# 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.



# NSLDS Enrollment Reporting

- Enrollment reporting for Pell Grant and TEACH Grant recipients coming
- Graduation/Completion status and dates required
- **See Sessions #02 and #03**



# ATB Reporting

- Required for all Pell, DL, and TEACH recipients without high school diplomas
- Includes eligibility based on hours completed
- Report using COD origination record
- **See Session #08**





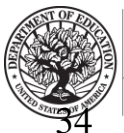
# Campus-Based Funds

- Tentative Allocations in March
- Final allocations in April
- Release of unexpended in June/July
- FISAP due October
  - Unexpended funds lapse
- **See Session #12**



# Campus-Based Funds

CAMPUS-BASED PROGRAM	TOTAL ALLOCATED	RELEASED IN SUMMER	UNEXPENDED AND LAPSED
FSEOG	\$ 757,465,000	\$ 1,910,570	\$ 3,998,292
FWS	\$ 980,000,000	\$14,906,686	\$12,490,702
<b>TOTAL</b>	<b>\$1,737,465,000</b>	<b>\$16,817,256</b>	<b>\$16,488,994</b>



# Recent Dear Colleague Letters

- Gen11-18: Written Arrangements Between U.S. and Foreign Schools
- GEN-11-17: Fraud in Postsecondary Distance Education Programs
- GEN-11-16: The Budget Control Act
- GEN-11-15: Dependency Overrides
- GEN-11-14: Implementation of Program Integrity regulations
- GEN-11-13: 2012-2013 Verification



# Recent Dear Colleague Letters

- Gen11-12: Trial Enrollment Periods
- GEN-11-11: State Authorization
- GEN-11-10: GE Regulations
- GEN-11-09: Helping Students Enrolled in Study-Abroad Programs in Japan
- GEN-11-08: Ability-to-Benefit (ATB)
- GEN-11-07: Direct Loan Participation
- GEN-11-06): Credit Hours



# Recent Dear Colleague Letters

- GEN-11-05: Implementation of Program Integrity Regulations
- GEN-11-04: Update on the Use of Professional Judgment and Reminder of Combat Pay Exclusion
- GEN-11-03: Enhancements to the FAFSA-IRS Data Retrieval Process
- GEN-11-02: Status of Perkins Loans
- GEN-11-01: Comprehensive Transition and Postsecondary (CTP)





# Program Integrity Regulations



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# Regulatory Activity

- Program Integrity
  - October 29, 2010: Effective July 1, 2011
  - June 13, 2011: Effective July 1, 2012
- Foreign Schools
  - November 1, 2010: Effective July 1, 2012



# Program Integrity Regulations

- Programs Accountable for Preparing Students for Gainful Employment
- Protecting consumers from misleading or overly aggressive recruiting practices
- Assuring that only eligible students receive federal funds
- Clarifying the courses that are eligible for federal aid





# Program Integrity Regs

- To ensure that questions about the Program Integrity Regulations are consolidated and easily accessible to interested parties, we have created a website organized by subject.
  - <http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/integrity-qa.html>, or
  - IFAP top right corner



# October 29 Regulatory Topics

- **Definition of a Credit Hour**
  - **Session #35**
- **Return of Title IV Funds (R2T4)**
  - **Sessions #45 and #46**
- **State Authorization**
  - **Session #34**
- **Satisfactory Academic Progress**
  - **Session #37**
- **Ability-to-Benefit**
  - **Session #37**

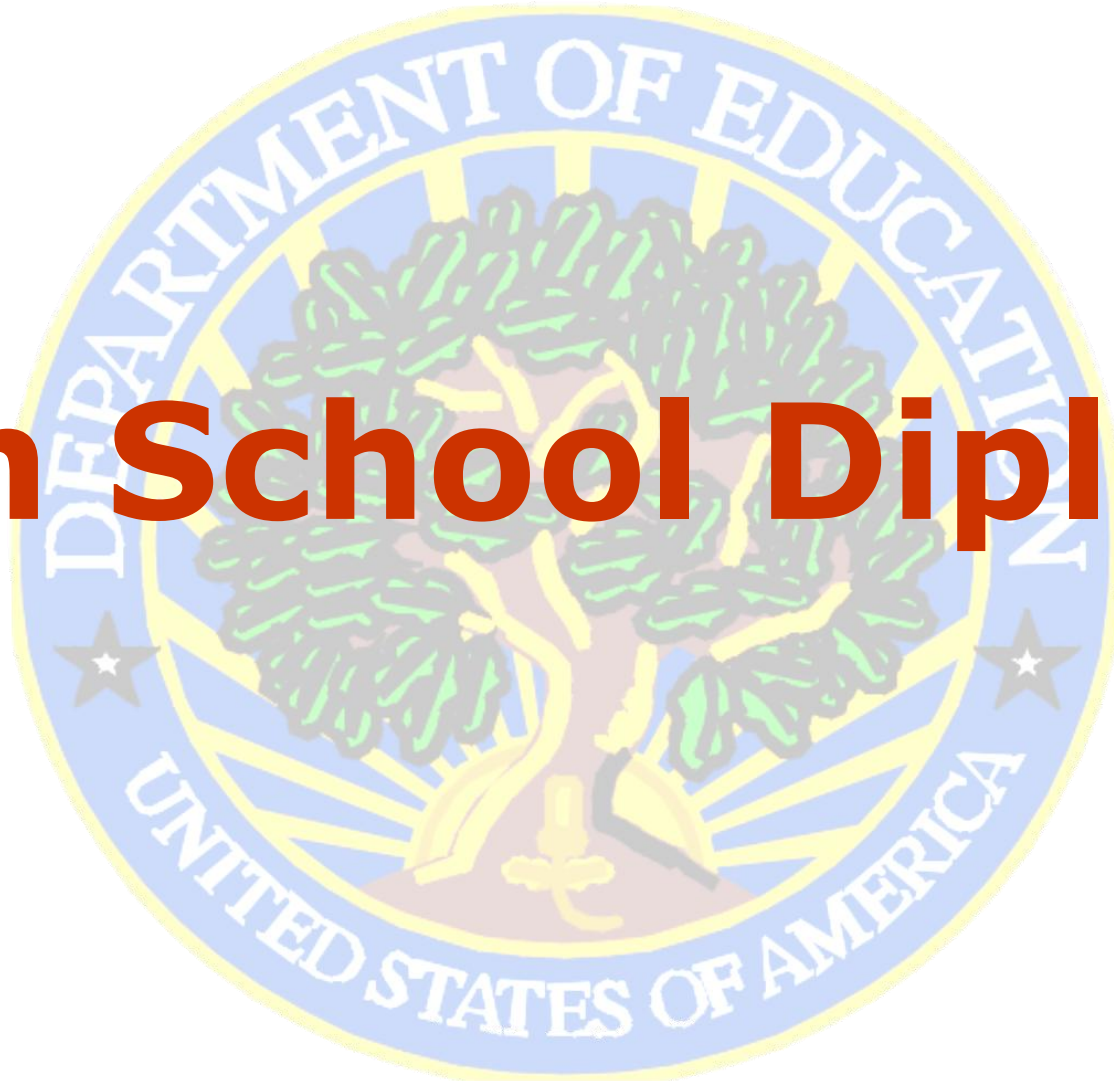


# October 29 Regulatory Topics

- Incentive Compensation
- Written Agreements Between Schools
- Misrepresentation
- Disbursements for Books and Supplies
  
- High School Diploma
- Verification
- Gainful Employment



# High School Diploma



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# High School Diploma

- Schools must develop and follow procedures to evaluate the validity of a student's high school diploma if the school 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.



# High School Diploma

- FAFSA will ask student to indicate high school.
- Being on the list does not mean “approved”
- Not being on the list does not mean “unapproved” or “questionable”



# Verification



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# Verification Interest Sessions

- Customized Verification, 2013-2014 & Beyond
  - **Session #4**
- 2012-13 FAFSA & Verification Changes
  - **Session #31**





# Communications

- NPRM: June 18, 2010
- Final regulations: October 29, 2010
- Technical Corrections: April 14, 2011
- Federal Register Notice: July 13, 2011
- Dear Colleague letters
  - GEN-11-03, February 2011 (IRS)
  - GEN-11-13, July 2011 (Verification)



# Highlights of New Regulations

- Eliminates \$400 tolerance; replaces with < \$25 tolerance for any item.
- Must submit all changes to CPS, not just those that impact Pell
- Eliminates the 30 percent institutional verification cap



# Highlights of New Regulations

- Allows the Secretary to include any item from the FAFSA for possible verification.
- Replaces the five verification items for all selected applicants with a targeted selection of items based upon each student's characteristics.
- No customization for 2012-2013.



# 2012-13 Verification Items

- All Applicants—
  - Number in Household
  - Number in College
  - Food Stamps, if reported on ISIR
  - Child support paid, if reported on ISIR



# 2012-13 Verification Items

- Nontax Filers—
  - Copy of IRS Form W-2 for each source of employment income received for tax year 2011.
  - A signed statement certifying that the individual has not filed and is not required to file an income tax return for tax year 2011
  - Sources and amounts of income earned/received and not on W-2s



# 2012-13 Verification Items

- Tax Filers— (From IRS Data Retrieval)
  - Adjusted Gross Income (AGI)
  - Taxes paid
  - Specific untaxed income items from tax return -
    - Untaxed IRA distributions
    - Untaxed pensions
    - Education credits
    - IRA deductions
    - Tax exempt interest



# 2012-13 Documentation

- Tax Filer Information Acceptable Documentation
  - IRS Data Retrieval Process
  - IRS Transcript
    - Request
      - On-Line
      - Phone – (800) 908-9946
      - Form 4506T-EZ
  - IRS Tax Return: Limited 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.





# Gainful Employment



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# Gainful Employment Information

- Gainful Employment Page on IFAP at:  
<http://ifap.ed.gov/GainfulEmploymentInfo/>
- or from IFAP Homepage
  - Regulations
  - Dear Colleague Letters and Electronic Announcements
  - Frequently Asked Questions
  - Training, including webinars
  - Resources



# GE Interest Sessions

- **GE Disclosures – Session #39**
- **Adding New GE Programs – Session #24**
- **Reporting – Session #6**
- **GE Regulations – Session #43**
- **GE Question and Answer – Session**

# Gainful Employment – The HEA

- In general, an educational program is Title IV eligible only if the program:
  - When offered by a public or non-profit institution, leads to a degree
  - When offered by any institution “leads to gainful employment in a recognized occupation”.
    - *These programs are referred to as a “Gainful Employment” or “GE” Programs.*



# Gainful Employment Programs

- Proprietary institutions –
  - All programs, except for –
    - Programs leading to a baccalaureate degree in liberal arts offered since January 2009 that has been regionally accredited since October 2007.
    - Preparatory non-certificate coursework necessary for enrollment in an eligible program.



# Gainful Employment Programs

- Public and not-for-profit institutions:
- All programs, except for -
  - Programs that lead to a degree;
  - Programs of at least two years in length that are designed to be fully transferable to a bachelor's degree program and that do not lead to a certificate awarded by the institution.
  - Preparatory coursework necessary for enrollment in an eligible program.



# Gainful Employment Regulations

- Final Rules published on October 29, 2010, effective July 1, 2011
  - Program Integrity –
    - Disclosures
    - Reporting
  - Gainful Employment –
    - New Programs



# Gainful Employment Regulations

- Final Rules on metrics to define gainful employment published on June 13, 2011, with effective date of July 1, 2012





# Disclosures

- Disclosure Information on GE Program's website home page –
- Effective July 1, 2011
- Must be simple and meaningful.
- Must contain direct links from any other webpage with information about the program.
- Must be in an open format and be retrieved, downloaded, indexed, and searched.



# Adding New GE Programs

- Must notify ED at least 90 days before the first day of class of a new Gainful Employment Program.
- If the institution provided the required notification at least 90 days before the first day of class for the new program it need not wait for Departmental approval before disbursing funds to students enrolled in the new GE Program – Unless ????



# Adding New GE Programs

- See new NPRM dated September 27, 2011
  - Proposes to change rules for adding new GE Programs
  - Comment period ends November 14, 2011.
  - If finalized, effective some time after July 1, 2013.



# GE Reporting

- Institutions must annually report information about students enrolled in GE Programs.
- General information on reporting was provided in the [Dear Colleague Letter GEN-11-10](#).
- NSLDS GE Reporting Guide at - <http://ifap.ed.gov/GainfulEmploymentInfo/index.html>



# GE Reporting

- Reporting is by –
  - Award Year
  - Student
  - GE Program
    - Institution (Six-digit OPEID)
    - CIP Code (See User Guide)
    - Credential Level (See User Guide)

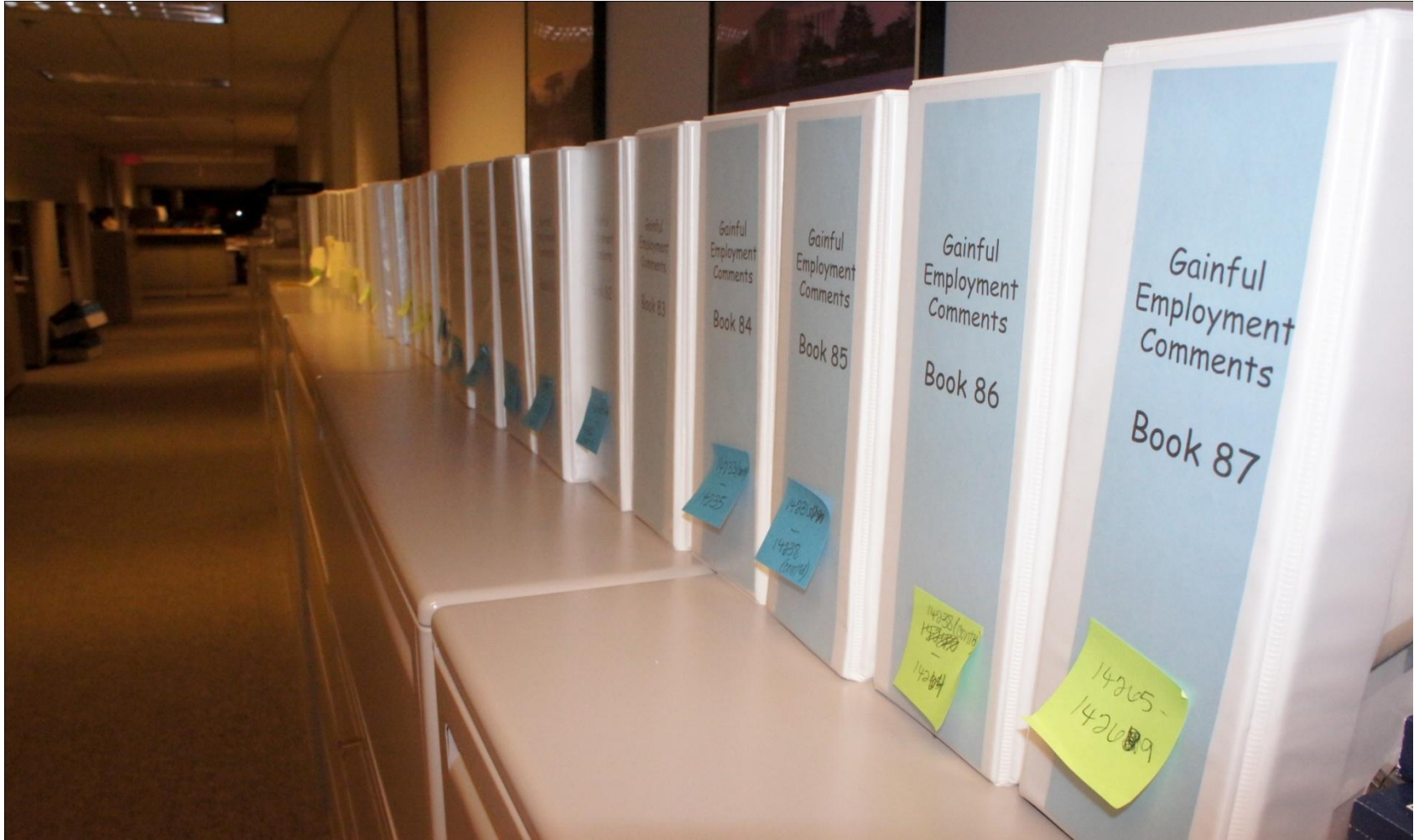


# GE Reporting

- Institution must report information on students who were enrolled in a GE Program for each award year -
  - Student identifying information
  - Program identifying information
  - Enrollment information
  - Amounts from private education loans and from institutional financing plans
  - Tuition and Fees (Optional)



# What does 90,000 comments look like?



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# GE Metrics

- Metrics final rule published on June 13, 2011
- Defines “gainful employment” to be when a substantial number of the GE Program’s students –
  - Are repaying their Title IV loans –
    - Repayment Rate
  - Have a reasonable debt burden –
    - Debt to Earnings Ratios.





# GE Metrics

- ED calculates Repayment Rate as –
  - A percentage of the Title IV loan amounts that a GE Program's former students are repaying.
  
- ED calculates Debt to Earnings Ratios as –
  - The median educational loan annual repayment amount as a proportion of the borrowers' average annual income.



# Title IV Eligibility

- A program must pass at least one of the following three rates to be a Gainful Employment Program eligible for Title IV participation:
  - Repayment rate of at least 35%.
  - Debt-to-Earnings ratio of less than 12% of total earnings, or
  - Debt-to-Earnings ratio of less than 30% of discretionary income.



# Title IV Eligibility

- Upon first year as a failing program institution must —
  - Disclose to students and prospective students the amount by which the program did not meet the minimum standards and any plans for improvement;
  - Establish a three-day waiting period before students can enroll.



# Title IV Eligibility

- Upon being a failing program for two years out of three, institution must tell students that -
  - Their debts may be unaffordable;
  - The program may lose eligibility; and
  - What transfer options exist.



# Title IV Eligibility

- If a failing program for three of four years, program loses eligibility for Federal student aid.



# Program Improvement

- Failing programs do not lose eligibility immediately.
- Standards help programs raise performance.

## Estimated Impact

	Number of Gainful Employment Programs	Programs that Fail	Programs that Lose Eligibility
Public	37,218	1%	0%
Non-Profit	5,072	1-4%	0-1%
For-Profit	13,155	10-12%	3%

# GE Contact Information

General Information: IFAP Website  
Gainful Employment Information Page

Policy Questions: [ge-questions@ed.gov](mailto:ge-questions@ed.gov)

Reporting Questions: [nslds@ed.gov](mailto:nslds@ed.gov)





**Thanks**



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