Federal Update

ILASFAA
Fall Workshop
October 24, 2014

Agenda

• Cohort Default Rates and Federal Direct Loan Issues
• Application Processing
• Gainful Employment
• Potpourri

Cohort Default Rates and Federal Direct Loan Issues
Impact of Cohort Default Rates

- See DCL GEN-14-03 February 27, 2014
- Letter includes summaries of –
  - Each cohort default rate (CDR) challenge
  - Requests for adjustment
  - Appeals available
- Participation Rate Index Challenge and Participation Rate Index Appeal can provide sanction relief to schools with low percentages of borrowers

Third Three-year Rate

<table>
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<th>Issue Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<td>National Student Loan Default Rates</td>
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<td>FY 2009 Official</td>
<td>13.4%</td>
<td>13.7%</td>
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<td>FY 2010 Official</td>
<td>14.0%</td>
<td>14.7%</td>
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<tr>
<td>FY 2011 Official</td>
<td>14.5%</td>
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2011 Official Cohort Default Rates

- Released to schools on September 22, 2014
- Released to public on September 24, 2014
- Time period for appealing rates for all schools began September 30, 2014
- See Electronic Announcements September 22 and 23 and 24, 2014

Fiscal Year 2011 Rate Calculations

- ED adjusted all 3 of the most recent official 3-year rates for any school that would have otherwise been subject to potential loss of eligibility based on 2011 official rate
  - Due to concerns about split servicing
    - Excluded certain borrowers who defaulted on one loan but had one or more Direct or FFEL loans in repayment, deferment or forbearance for at least 60 consecutive days and that did not default during the applicable CDR monitoring period
    - See Electronic Announcement September 23, 2014

Cohort Default Rate (CDR) Sanctions

- Default Prevention Plans
  - First year CDR is equal to or greater than 30%:
    - Establish a default prevention task force
    - Develop and submit a default prevention plan to ED
  - 2 consecutive CDRs equal to or greater than 30%:
    - Revise and submit default prevention plan
    - ED may require specific adjustments/actions
  - 3 consecutive CDRs equal to or greater than 30%:
    - Lose Direct Loan AND Pell Grant eligibility
- FY2011 or later CDR above 40% results in loss of Direct Loan eligibility
Online Default Aversion Training

- Online training on cohort default rate process and default management now available on FSA’s E-Training website
  - [http://fsatraining.info](http://fsatraining.info)
  - See DCL ANN-14-04 February 24, 2014 and DCL ANN-14-23 September 29, 2014
- Lesson modules include:
  - Draft rates and the challenge process
  - Adjustments and appeals
  - Default aversion practices
  - Financial literacy

Default Management Resources

- Default Prevention Resource Webpage
- Default Prevention questions can be sent to:
  - defaultpreventionassistance@ed.gov
- Default Management Website
- Cohort Default Rate questions should be directed to:
  - (202) 377-4259; fsa.schools.default.management@ed.gov

Interest Rates for 2014-15 Direct Loans

- Applies to loans first disbursed between July 1, 2014 and June 30, 2015
- Subsidized and unsubsidized loans for undergraduate students are at 4.66%
- Unsubsidized loans for graduate and professional students are at 6.21%
- Direct PLUS loans for parents and graduate students are at 7.21%
- See Electronic Announcement May 14, 2014
Origination Fee Changes

- Direct Loan origination fees will change each fiscal year that the Budget Control Act of 2011 is in effect
  - Changes effective for loans first disbursed on or after October 1, 2014
  - See Electronic Announcement April 24, 2014
    http://ifap.ed.gov/eannouncements/042414DirectLoanOrigina
    tionFeePercentageChangeFY2015.html
  - See Dear Colleague Letter GEN-14-10 issued May 2, 2014

Federal Direct Loan Origination Fees

- Direct subsidized and unsubsidized loan fees are increased from 1.072% to 1.073%
- Direct PLUS loan fees (both parent and graduate student borrowers) are increased from 4.288% to 4.292%
- Truncate fees to nearest cent – do not round
- Effective for loans first disbursed on or after October 1, 2014

Direct PLUS Loan Endorser Changes

- Change to information required for an endorser to start the endorser addendum process
  - Endorser will need to provide either the PLUS Endorser Code or the Award ID number and Direct PLUS borrower’s full last name
  - Must obtain prior to beginning Endorser Addendum process
  - Borrower will receive PLUS Endorser Code and unique URL via e-mail that must be given to endorser
  - Loan reference number no longer used for endorsers
- Effective April 14, 2014 with COD update
**Direct Loan Quality Assurance Process**

- All schools participating in the Direct Loan Program are required to implement a quality assurance process that documents how the school:
  - Reports loan records, disbursements and adjustments correctly to COD
  - Disburses and returns loan funds in compliance with regulations
  - Disburses the correct loan amount to the correct student
  - Completes monthly reconciliation and program year closeout
- See Electronic Announcement November 13, 2013

**Direct PLUS Loan NPRM**

- NPRM published on August 8, 2014
- Comments due by September 8, 2014
- Anticipate final regulations by November 1, 2014
- Purpose:
  - Update the standard for determining if a potential parent or student borrower has an adverse credit history for purposes of eligibility for a Direct PLUS Loan

**Direct Loans Negotiated Rulemaking**

- Federal Register Notice September 3, 2014
  - Develop proposed regulations to allow more student Direct Loan borrowers to use the Pay as You Earn repayment plan in accordance with the 6/9/14 Presidential Memorandum
- Two public hearings:
  - October 23, 2014, at the U.S. Department of Education in Washington D.C.
  - November 4, 2014, at the Marriott Anaheim in Anaheim, CA
- Goal is to have repayment plan available by 12/31/15
- Written comments must be received by 11/4/14
### Pay As You Earn

- June 2014 - President announced new executive actions to further lift the burden of student loan debt
  - Incentives for loan contractors to serve students well
  - Ensure active-duty military receive appropriate relief
  - Work with private sector to promote repayment options
  - Innovative strategies to help vulnerable borrowers
  - Collaborations to improve data for students and families
- Anticipate negotiated rulemaking sessions in February 2015
  - Anticipate final regulations by November 1, 2015

### Direct Loan MPN Paper Process

- OMB has approved revised Direct Loan MPNs for all types of Direct Loans
- New expiration date of February 29, 2016
- Schools that provide paper MPNs must begin using the new versions as soon as practical but no later than January 1, 2015
- Deadline also applies to Plain Language Disclosures provided by schools

### NSLDS Rosters

**Who NSLDS will put on your roster:**
- Students who received Title IV Aid at your school (COD)

**Who you must add to your roster:**
- Students with Title IV aid from another school (ISIR) who will be receiving aid at your school

**Who you should add to your roster:**
- Students with Title IV aid from another school who will not be receiving aid at your school

NSLDS will add Title IV students to your enrollment roster when Transfer Student Monitoring (TSM) and Financial Aid History (FAH) is requested
Reporting Major Program of Study

- Student must be enrolled in a defined course of study to receive Title IV aid
  - Students with undeclared majors are in a program of study and therefore must have a CIP Code associated with their enrollment
  - Many schools classify students with undeclared majors in a "General Studies" (240102) or "Liberal Arts and Sciences" (240101) program
- Schools must report on the program(s) associated with the student’s major
  - Do not report a minor as a separate program

Reporting Program-Level Enrollment

- Dear Colleague Letter GEN-14-17 revised guidance from July 2014 webinars
- Report active enrollment status based on total number of credit or clock hours in which the student is enrolled
  - Regardless of the number of credits applicable to the programs being reported

Application Processing
### Tax Filing Status

**Issue**
- Unable to identify instances where the student or parent marital status conflicts with the tax filing status
  - May result in incorrect income amount reported on FAFSA

**Solution**
- Students and parents report their tax filing status on the FAFSA
- System will compare the tax filing status with the marital status to determine if potential discrepancies exist
  - Will message accordingly

### Tax Filing Status Discrepancy

**Parent Financial Information**

IRS Request Flag 06 – IRS data was transferred from the IRS, but a subsequent change made the student or parent ineligible to use the IRS Data Retrieval Tool

### Comment Codes 361-368

- See Electronic Announcement May 14, 2014
- Discusses possible conflicts between marital status and tax filing status
  - Example – tax filing status married and marital status is single
- Highlights possible errors due to marital status changes after December 31, 2013
  - Due to marital status change, applicant may report improper tax data
FAFSA Reprocessing

• Possible that Income Earned from Work was misreported on original submission
• Additional reprocessing in September
  - Independent or dependent student with AGI over $100,000
  - Parent AGI greater than $500,000
  - Parent AGI over $100,000 and parent reported filing 1040A or 1040EZ
• SAR/ISIR received comment code 023
• Schools strongly encouraged to review the reprocessed ISIRs

Introducing the FSA ID

• FSA is adopting the best practice of using a username and password instead of personal information
• The FSA ID:
  - Requires users to enter less information (2 fields instead of 4)
  - Provides more secure access to user’s information
  - Links to PIN information during registration
  - Offers self-service capability (name change)
• The FSA ID (username and password) will replace PIN for students, parents and borrowers accessing FSA systems starting on April 25, 2015

Introducing the FSA ID

Users still click the Sign In button. This directs them to the FSAID login page. Once they enter their FSA ID, they are directed back to the application landing page.
Introducing the FSA ID

- **New users**
  - Registration requests the same required information as PIN
  - New users will be directed to the registration page to create an FSA ID (username and password) similar to today's PIN creation page

- **Current PIN users**
  - Asked for PIN during account creation
  - PIN Account will be linked to the FSA ID account if information matches
  - User who links existing PIN will have access to previous FAFSA submissions

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Introducing the FSA ID

- Users will not be able to access FAFSA by providing last name, SSN and DOB after implementation
  - Only change to FAFSA functionality is that FSA ID will replace PIN information
  - Must use FSA ID to sign or correct FAFSA

- No change to customer support

- FSA ID only applies to borrowers accessing their own information such as students, parents, borrowers and applicants

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15-16 FAFSA Comment Period

- Federal Register Notice published August 27, 2014
  - Corrected docket number in Notice on September 2, 2014
  - Docket is ED_2014_ICCD_0126
- Comments due by October 27, 2014
  - You can view submitted comments
- Draft paper FAFSA and related documents posted under Forms and Instructions
**FAFSA on the Web Process**

- Data elements and justification posted on Regulations.gov under Supporting Statements
- One document explains how the FAFSA on the Web process works
  - Select 2015-16 Data Elements Justification V4
  - Explains how questions are presented to applicants
    - Describes differences for renewal applicants

**Verification 2014-15 – Tax Transcript**

- Some tax filers are still not able to obtain IRS Tax Return Transcripts
- Electronic Announcement (EA) posted to IFAP on October 17, 2014
  - Signed copy of tax return acceptable if tax filer recently requested and was unable to obtain an IRS Tax Return Transcript
  - Documentation of transcript request failure
  - Completed IRS Form 4506T-EZ or Form 4506-T to school
    - School does not submit to IRS unless there is a question about the submitted return
    - Guidance applies to 14-15 only

**Group V6 – Household Resources**

- Verify income data from V1 based on tax filing status
- Copy of W-2 forms for all sources of employment income received for 2014
  - Also applies to 2014-15 award year
Gainful Employment

Notice of Proposed Rulemaking

• Notice of Proposed Rulemaking (NPRM) published in Federal Register on March 25, 2014
• Comments were due to the Department no later than May 27, 2014
• Final regulations anticipated by November 1, 2014
  - Effective date would be July 1, 2015

Proposed Metrics

• Debt-to-earnings (D/E) ratio
  - Annual debt-to-earnings rate
  - Discretionary debt-to-earnings rate
  - Program could pass, fail, or be in the “zone”
  - Calculated based on program completers
• Program cohort default rate (pCDR)
  - Calculated like institutional cohort default rate but for the GE program’s former students
  - Program could pass or fail
  - Calculated based on all students enrolled in the program
Proposed Rule

- A program would lose Title IV eligibility if –
  - Fails both debt-to-earnings measures in two out of three years
  - Fails or in the zone for the debt-to-earnings measure for four consecutive years
  - Fails the program cohort default rate for three consecutive years

Proposed Rule

- Appeals based on alternative earnings
  - Earnings data from institutional surveys
  - Earnings data from state-sponsored data systems
- Appeals based on mitigating circumstances
  - Fewer than 50% of all program completers incurred loan debt

Proposed Disclosure Requirements

- Disclose in addition to program information –
  - Loan repayment rates
  - Completion rates
  - Withdrawal rates
  - Placement rates
  - Median loan debt
  - Percent of students borrowing
  - Program cohort default rate
  - Debt-to-earnings rates
Proposed Reporting Requirements

- Report for six prior award years by July 31 following final rules effective date
  - For example, if effective date is July 1, 2015, report no later than July 31, 2015 information for award years 2008-2009 through 2013-2014
- For subsequent award years, report by October 1 following the end of the award year

Gainful Employment - Disclosures

- The court left in place regulations at 34 CFR 668.6(b) requiring institutions to disclose certain information about each of their GE programs
- Schools must use the Department’s GE Disclosure Template to provide all GE disclosures
  - Schools must update their GE program disclosures with 13-14 information no later than January 31, 2015
  - See GE Electronic Announcement #50 posted to IFAP on September 11, 2014

Gainful Employment – Use of ED Template

- Schools must prominently provide a direct link from the home page of the GE Program website to the program’s disclosure page that was generated by the disclosure template application
  - A unique output file must be generated for each GE program at the school.
- Any other web page containing general, academic, or admissions information about the GE Program must also contain a prominent and direct link to the program’s web home page or to the GE Program disclosure page generated by the template
Potpourri

Violence Against Women Act (VAWA)

- Law changed Clery Act requirements
- Implementation
  - Electronic Announcement May 29, 2013
  - Proposed rules published in Federal Register on June 20, 2014
    - Negotiators reached consensus
    - Comment period ended July 21, 2014
  - Dear Colleague Letter GEN-14-13 published July 14, 2014
described school responsibilities for complying with statutory change prior to publication of final regulations

VAWA NPRM Highlights

- Statistics required to be maintained for dating and domestic violence, sexual assault and stalking
- New categories of hate crimes
- New and/or revised definitions
- Development of primary and ongoing prevention and awareness programs and campaigns
- Improved disciplinary processes and descriptions
- Various protective measures outlined
VAWA Final Regulations

• Final regulations published October 20, 2014 in Federal Register
  - Effective date is July 1, 2015
• Limited changes from NPRM
  - Reporting stalking crossing calendar years
  - Reporting stalking after an “official intervention”
  - Reporting “unfounded” crime reports

Preventing Sexual Assault

• In January the president created the White House Task Force to Protect Students from Sexual Assault
  - Issued report “Not Alone” in April 2014
  • http://www.whitehouse.gov/sites/default/files/docs/report_0.pdf
  - Created website https://www.notalone.gov/
  - Task force is asking schools to voluntarily conduct a Climate Survey early next year
Defense of Marriage Act

- 2014-15 FAFSA
  - Applicants and/or parents must respond in accordance with their legal marital status as of the date of FAFSA completion
- PLUS borrowing
  - A same-sex step parent may apply for PLUS if legally married to parent
  - See DCL GEN-14-14 July 24, 2014
- Public institution use of in-state tuition benefits for members of the armed forces
  - See DCL GEN-14-15 July 24, 2014

Teacher Preparation

- Negotiations held in 2012
  - Institutional reporting & State accountability – quality of teacher preparation programs
  - “High Quality” Program and Services Definitions associated with school eligibility to participate in TEACH Grant
  - Service and Repayment obligations for TEACH
- Anticipate final regulations by November 1, 2014

Two Factor Authentication Support Center

- Questions about two factor authentication (TFA) should now be directed to CPS/SAIG TFA Support Center at:
  - 800-330-5947, option 2; or
  - TFASupport@ed.gov
  - Token registration, synchronization and repurposing
  - Receiving additional tokens
  - Returning tokens
- See Electronic Announcement July 7, 2014
New FSA Handbook Appendices

- Appendix A - Federal Student Aid Glossary
- Appendix B - Acronyms
- Appendix C - Technical Resources and Assistance
  - Appendices A, B and C from The Blue Book
- Appendix D - Actions a School Should take When a Student Dies
  - All FSA guidance on how a school should proceed when a currently enrolled Title IV recipient dies
- Appendix E - HEA Table of Contents

Questions?

Thank you!

Training Evaluation

To ensure quality training, we ask all participants to complete an online evaluation for each session

- Go to https://s.zoomerang.com/s/ByronScott
- Evaluation form is specific to Byron Scott
- Feedback is a tool to help us improve our training and to listen to our customers
Contact Information

If you have follow-up questions about this session, contact me at:

Byron Scott, Training Officer
byron.scott@ed.gov
312-730-1534

Contact the following supervisor to provide feedback about this training:

Annmarie Weisman
annmarie.weisman@ed.gov
215-656-6456

Department of Education 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
Nelnet Total & Permanent Disability Team