



SASFAA
Federal Update
Federal Student Aid
U.S. Department of
Education
February 10, 2009




Dependency Overrides



Students Seeking Dependency Overrides

The Problem –

- Some students who are likely eligible for a dependency override cannot find a school to consider an override at the time they need to submit a FAFSA.
- Web FAFSA products do not allow a dependent student to submit without parental information.



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Students Seeking Dependency Overrides

The Solution –

- Students who are unable to provide parental data will be able to submit their application through FOTW by indicating they believe that they have a *special circumstance*.

Students Seeking Dependency Overrides

- Application can be submitted for processing and all appropriate matches will be performed
 - No EFC will be calculated
 - These records will have a “special circumstances” flag.
 - School makes the determination after obtaining documentation.

A New Approach to the FAFSA and to Eligibility Determination

Mandates

“ The entire financial aid system—including federal, state, institutional, and private programs—is confusing, complex, inefficient, duplicative, and frequently does not direct aid to students who truly need it.”

- The Secretary of Education's
Commission on the Future of Higher Education



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Mandates

Congress, in passing the HEOA, required the Department of Education to issue a report on efforts to simplify the FAFSA that includes looking at the elimination of income data elements, as well as other items.

See Electronic Announcement Posted to IFAP on January 21, 2009 for copy of report sent to Congress.



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Issues – Federal Student Aid

- The application is complex and intimidating.
- Much of the data are unverifiable.
- Current EFC formula is arbitrary, difficult to understand, lacks clarity and relevance, and subject to “gaming.”
- Result of application (EFC) is “how much the student will NOT receive.”
- Multiplicity of programs is confusing.



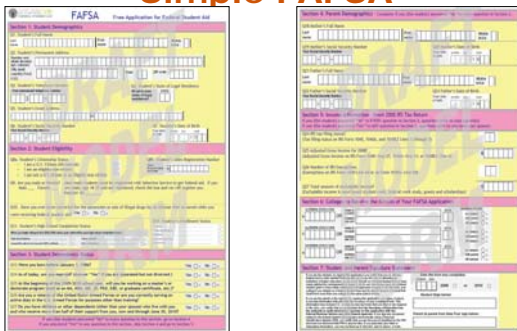
Principles for Reform

- Access to Aid
 - Application will request information that is easily obtainable and verifiable.
 - Application will only ask questions necessary to determine eligibility and award levels.
- Federal Student Aid
 - Targets the neediest students;
 - Is independent of other aid;
 - Is predictable;
 - Is portable, and
 - Distributes aid through fewer programs.

A Simplified FAFSA

- Only ask for information needed to determine federal aid eligibility, aid types, and amounts.
 - Two pages - no instruction pages(s).
 - Fewer than 30 questions –
 - Identification
 - Contact Information
 - Eligibility
 - Colleges and states
 - Dependency
 - Income / Exemptions
 - Certifications

Simple FAFSA



Grants and Subsidized Loans

- Award amounts based on AGI and IRS Number of Exemptions, related to HHS Poverty Levels.
- *Example: --*
 - Grants up to 250% of poverty level.
 - Subsidized loans and FWS up to 400% of poverty level;



Unsubsidized Stafford and PLUS Loans

- Applies only after all other aid is awarded;
- Covers difference between cost of attendance and all other sources of aid;
- Includes annual loan limits for unsubsidized Stafford.



Simple Look-Up Table (For Illustrative Purposes Only)

AGI Income Cut-Off	*Single Persons, or Married w/ no Children*		*Families w/ a minimum of one Child*								
	Married w/ Children*		Including Child								
	1	2	1	2	3	4	5	6	7	8	More than 8
	\$27,000	\$29,000	\$38,000	\$45,000	\$55,000	\$64,000	\$74,000	\$82,000	\$92,000	\$102,000	\$112,000
Low to \$0	3,200	3,200	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$1 to \$1,000	3,200	3,200	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$1,001 to \$6,000	3,400	3,400	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$6,001 to \$9,000	3,400	3,400	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$9,001 to \$12,000	2,800	2,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$12,001 to \$15,000	1,500	2,000	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$15,001 to \$18,000	1,100	2,100	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$18,001 to \$21,000	700	1,500	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$21,001 to \$24,000	600	1,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$24,001 to \$29,000	600	2,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$29,001 to \$32,000	-	3,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
\$32,001 to \$38,000	-	3,000	3,000	4,000	4,100	4,200	4,300	4,400	4,400	4,500	4,500
\$38,001 to \$40,000	-	-	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
\$40,001 to \$45,000	-	-	2,000	2,100	2,200	2,300	2,400	2,500	2,500	2,500	2,500
\$45,001 to \$48,000	-	-	-	1,500	1,500	1,500	2,000	2,100	2,100	2,200	2,200
\$48,001 to \$51,000	-	-	-	1,200	1,200	1,200	1,500	1,500	1,500	1,500	1,500
\$51,001 to \$55,000	-	-	-	900	1,000	1,100	1,200	1,300	1,300	1,300	1,300
\$55,001 to \$58,000	-	-	-	800	800	800	1,000	1,000	1,100	1,100	1,100
\$58,001 to \$64,000	-	-	-	800	800	800	800	800	800	800	1,000
\$64,001 to \$68,000	-	-	-	-	800	800	800	800	800	800	800
\$68,001 to \$71,000	-	-	-	-	-	800	800	800	800	800	800
\$71,001 to \$73,000	-	-	-	-	-	-	800	800	800	800	800
\$73,001 to \$82,000	-	-	-	-	-	-	-	800	800	800	800
\$82,001 to \$87,000	-	-	-	-	-	-	-	-	800	800	800
\$87,001 to \$99,000	-	-	-	-	-	-	-	-	-	800	800



What Does This Mean For Students?

- A FAFSA that encourages access;
- Real-time feedback on probable Federal Student Aid;
- Better awareness of state and institutional value-added aid, and
- Predictability for persistence.

Recent Legislation



- Higher Education Reconciliation Act (HERA) – February 8, 2006
- College Cost Reduction and Access Act (CCRAA) – September 7, 2007
- Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) – May 7, 2008
 - Extended by HR 6899
- Higher Education Opportunity Act (Reauthorization) – August 14, 2008
- Stimulus Package – February 2009???

**Higher Education Reconciliation Act
(Public Law 109-171)**

- Need Analysis Formula Changes
- Created Academic Competitiveness and National SMART Grants
- Increased FFEL and DL Loan Limits
- Reduced Loan Origination Fees
- Provided for Consistent Repayment Plans Between FFEL and Direct Loans



College Cost Reduction and Access Act (Public Law 110-84)

- Mandatory Increases for Pell
- Reduced Interest Rates
- Need Analysis Formula Changes
- Income-based Repayment
- Economic Hardship Deferment



College Cost Reduction and Access Act (Public Law 110-84)

- TEACH Grants
- Public Service Loan Forgiveness
- Reduced Lender Insurance
- Reduced SAP
- Parent PLUS Auction Pilot Program



Ensuring Continued Access to Student Loans Act (ECASLA) (P.L. 110-227)

- Extended by HR 6899 (Public Law 110-350)
- ECASLA Authorizes the Secretary
 - To purchase FFEL loans, at -
 - No net cost to the government
 - Under terms and conditions established by the Secretary in consultation with Treasury and OMB
- No statutory authority to provide advance funding



The Higher Education Opportunity Act



Higher Education Opportunity Act (HEOA)

- Higher Education Act of 1965 expired in 2004
- Reauthorized HEA after 16 extensions
- Signed by the President on August 14, 2008
- Became Public Law 110-315
- Web site: <http://www.ed.gov/heoa>
- DCL GEN-08-12, FP-08-10 (219 pages)



Institutional Eligibility and Other Provisions



Consumer Information and Disclosures

- Greater transparency in college costs
- ED required to develop & release:
 - Information relevant to college cost & net price by institution
 - College cost & net price watch lists
 - Internet-based calculators of the net price of college for consumers

Distance Education

Effective date: August 14, 2008

Added a new definition of the term "distance education" that replaces the term "telecommunications." Distance education means the use of one or more technologies to deliver instruction to students who are separated from the instructor and to support regular and substantive interaction between the students and the instructor, either synchronously or asynchronously.

Institutional Eligibility

Effective date: July 1, 2010

- Allows institutions to enroll home-schooled students who do not have a high school diploma or GED as regular students.
- Allows institutions to enroll students who are also enrolled in approved high school/college dual enrollment programs.
 - Such students are not eligible for Title IV aid.



90 – 10 Rule

Moves the 90/10 Rule from the Institutional Eligibility section to the Program Participation section

An institution that is not in compliance with the 90/10 Rule for one year would no longer lose its eligibility to participate but would be placed on provisional certification for two years.

Changes in the way the 90/10 is calculated.



Consumer Information and Disclosure

- Institutions must:
 - Disclose relationships with preferred lender arrangements
 - Adopt “codes of conduct” to govern their relationships with financial institutions
- Lenders must comply with the Truth in Lending Act for “private label” education loans



**Consumer Information and Disclosure:
Textbooks**

- Publishers must inform faculty of price and editorial changes
- Institutions must:
 - To the maximum extent practical, post ISBN numbers and retail prices of required and recommended textbooks and supplemental materials



**Consumer Information and Disclosure:
Textbooks**

- Institutions must provide its college bookstore with the course schedule, the list of required and recommended textbooks and supplemental materials, and the average and maximum enrollment in each course



**Application for Federal Student
Financial Aid (FAFSA)**

- Simplify the FAFSA
- Create an EZ FAFSA
- Requires ED to report to Congress on simplification
- Mandates a study by GAO to examine alternative methodologies for calculating an EFC



Application for Federal Student Financial Aid (FAFSA)

- Mandates an early application demonstration program to allow dependent students to apply for aid during their junior year in high school
- Authorizes the Secretary to use IRS data to prepopulate (with prior-prior year data) the FAFSA or verify income and other information on the FAFSA

Note: No change to Internal Revenue Code



Grant Programs



Pell Grant Program

- Effective with the 2009-2010 award year
- "Year round" or "Two Pell Grants in an Award Year"
- Allows student to receive funds beyond their scheduled award for the award year.
 - No change to "scheduled award"



Term-Based Year-Round Pell Grant

Current Rule: One Scheduled Award per Award Year
 Student's Scheduled Award is \$4,000 in both award years

Fall 2009 \$2,000	Spring 2010 \$2,000	Summer 2010 \$0.00	100% 2009-10 AY
2009-10 Award Year			100% 2010-11 AY
Summer 2010 \$2,000	Fall 2010 \$2,000	Spring 2011 \$0.00	
2010-11 Award Year			



Term-Based Year-Round Pell Grant

New Rule: Up to Two Scheduled Awards per Award Year
 Student's Scheduled Award is \$4,000 in both award years

Fall 2009 \$2,000	Spring 2010 \$2,000	Summer 2010 \$2,000	150% 2009-10 AY
2009-10 Award Year			
Fall 2010 \$2,000	Spring 2011 \$2,000	Summer 2011 \$2,000	150% 2010-11 AY
2010-11 Award Year			



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New Rule: Up to Two Scheduled Awards per Award Year
 Student's Scheduled Award is \$4,000 for the award year

Summer 2009 \$2,000	Fall 2009 \$2,000	Spring 2010 \$2,000	Summer 2010 \$2,000
2009-10 Award Year			200% 2009-10 AY



Clock Hour Year-Round Pell Grant

Current Rule: One Scheduled Award per Award Year
1500 clock hour program; AY = 900 hours/26 weeks
Student's Scheduled Award is \$4,000 for the award year

450 hours/13 weeks \$2,000	450 hours/13 weeks \$2,000
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2009-10 Award Year

100%
2009-10 AY

300 hours/8 weeks \$0.00	300 hours/8 weeks \$0.00
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2009-10 Award Year



Clock Hour Year-Round Pell Grant

New Rule: Up to Two Scheduled Awards per Award Year
1500 clock hour program; AY = 900 hours/26 weeks
Student's Scheduled Award is \$4,000 for the award year

450 hours/13 weeks \$2,000	450 hours/13 weeks \$2,000
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2009-10 Award Year

160%
2009-10 AY

300 hours/8 weeks \$1,230	300 hours/8 weeks \$1,230
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2009-10 Award Year



Pell Grant Program

- Effective with the 2008-2009 award year
- Lifetime limit - equivalent to 18 semesters
 - 900 percent of all scheduled awards
 - Only for First Time Recipients
 - Will be monitored by ED



Pell Grant Program

- Effective with the 2009-2010 award year
 - Minimum grant equal to 10% of the appropriated maximum grant
 - Maximum award for any Pell Grant eligible student whose parent or guardian was a member of the Armed Forces and died in Iraq or Afghanistan after September 11, 2001



ACG and National SMART Grants

- Beginning with 2009-2010 award year
- Extended to include eligible non-citizens
- Extended to at least half-time students
- Replaces academic year basis for awards with student's grade level



Academic Competitive Grants

- Requires appropriate State official to submit rigorous high school curriculum to ED
- Clarifies that rigorous curricula include those recognized by ED in current regulations (List of coursework and AP/IB)



Academic Competitive Grants

- Authorizes awards for one- and two-year certificate programs at two- or four-year degree granting institutions.
- Amends the provision regarding previous enrollment for first-year grant eligibility by creating an exception for students whose previous enrollment in an undergraduate program was part of a secondary school program of study.

National SMART Grants

- Authorizes grants to students attending institutions offering a single liberal arts curriculum leading to a baccalaureate degree in which students are not permitted by the institution to declare a major in a particular subject area.
- Authorizes a fifth-year grant to students enrolled in the fifth year of a National SMART Grant-eligible program that requires five years to complete.

TEACH Grant Program

- High need fields when grant disbursed will remain valid even if field no longer approved when teaching begins.
- Categories of extenuating circumstances under which a recipient of a TEACH Grant may be excused from fulfilling the service obligation can be established by regulations.

Federal Work-Study Program

- Emphasizes employment in civic education
- Continue compensating disaster-affected students
- Creates new discretionary grant program for off-campus employment in community service
- Continues the existing "Work College" program

Loan Programs



Perkins Loans

- Increases annual and aggregate loan limits –
 - Annual \$5,500 for undergrad
 - Annual \$8,000 for grad
 - Aggregate \$60,000 for grad
 - Aggregate \$27,500 for upper division undergrad
 - \$11,000 for all others

Perkins Loans

- Prescribes mandatory assignments
- Prescribes additional eligibility criteria for total and permanent disabilities discharges
- Streamlines loan rehabilitation
- Expands loan forgiveness

Federal Family Education Loans (FFEL)

- Fails to provide a long-term solution to the current profitability, liquidity and capacity issues in the student loan programs
- Requires the Secretary to oversee private education loans made by FFEL lenders to students attending Title IV institutions

Federal Family Education Loans (FFEL)

- Addresses lender and guaranty agency inducements
- Provides for more consumer information from lenders, guaranty agencies, schools and ED

FFEL & Direct Loans

- Changes Cohort Default Rate Calculation
 - From two years to three years
 - Transition Period
 - 30% Penalty Threshold
- Increases "disbursement relief" CDR to 15%
 - Effective October 1, 2011

2-Year vs 3-Year Cohort Default Rate

- Numerator = # of borrowers from the denominator who default within a FY
- Denominator = # of borrowers who enter repayment within a FY

FY-09	FY-10	
125	230	$\frac{355}{5000} = .071$ or 7.1%
5,000		

FY-09	FY-10	FY-11	
125	230	250	$\frac{605}{5000} = .121$ or 12.1%
5,000			

FFEL & Direct Loans

- Changes to Disability Discharge Requirements
- Waiver of interest for military in combat zones

FFEL & Direct Loans

- Removes VA Educational Benefits from Estimated Financial Assistance
 - Also from "Resources" for campus-based aid
 - Effective with the 2010-11 award year



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FFEL & Direct Loans

- Dependent students eligible for unsubsidized without parental FAFSA information
 - Effective on enactment – August 14, 2008
 - Paper FAFSA or EDE Submission
 - Special process for Direct Loans



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New Unsubsidized Stafford Flexibility

- Loan limits based on current dependent undergraduate student annual maximums
 - First year student \$5,500 (\$3,500 base + \$2,000)
 - Second year student \$6,500 (\$4,500 base + \$2,000)
 - Third year and above \$7,500 (\$5,500 base + \$2,000)




Effective August 14, 2008

Implementation



Regulations

- Public Hearings
 - Johnson C. Smith University
 - Cuyahoga Community College
 - Texas Christian University
 - University of Rhode Island, Providence Campus
 - Pepperdine University
 - U.S. Department of Education
- <http://www.ed.gov/heoa>



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Regulations Subject to Negotiation

- Notice Announcing Formation of Committees and Solicitation of Nominations to Serve as Non-Federal Negotiators 12/08
- Negotiating Committees Established 1/09
- Negotiations End 4/09
- NPRM Published in the Federal Register 8/09
- Public Comment Period Ends 9/09
- Final Published in the Federal Register 11/1/09



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All Other Regulations

- Draft NPRM Prepared Now--1/2009
- NPRM Submitted to OMB for Clearance 1/2009
- NPRM Published in the Federal Register 2/2009
- Public Comment Period Ends 3/2009
- Final Regulation Prepared 4/2009-5/2009
- Final Submitted to OMB for Clearance 6/2009
- Final Published in the Federal Register 7/2009