



Federal Update
PRASFAA Conference 2011

Raúl M. Galván
Federal Student Aid



START HERE
GO FURTHER
FEDERAL STUDENT AID®

White House Initiatives



START HERE
GO FURTHER
FEDERAL STUDENT AID®

Special Direct Consolidation Loans



START HERE
GO FURTHER
FEDERAL STUDENT AID®

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 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 (no ED held)
- Underlying loans paid off
- 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



START HERE
GO FURTHER
FEDERAL STUDENT AID®

Income Based Repayment Plan

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



Income Contingent Repayment Plan

- Current Law –
 - Regulatory defined formula
 - Complex
 - Loan amount and income
 - Remaining balance forgiven after 25 years.
 - Limited “take” 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
 - Must go through negotiated rulemaking process which will likely begin early 2012



The Budget Act



START HERE
GO FURTHER
FEDERAL STUDENT AID®

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.



Budget Act

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.



Budget Act

- Annual and aggregate loan limits for graduate and professional students remain unchanged.
- The higher annual and aggregate amounts for students enrolled in certain health professions programs also have not changed.



Budget Act

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.
 - Allows interest rate reduction to borrowers who agree to have payments automatically electronically debited from a bank account.





FFEL/Direct Loan Cohort Default Rates



START HERE
GO FURTHER
FEDERAL STUDENT AID®

What is the CDR Calculation

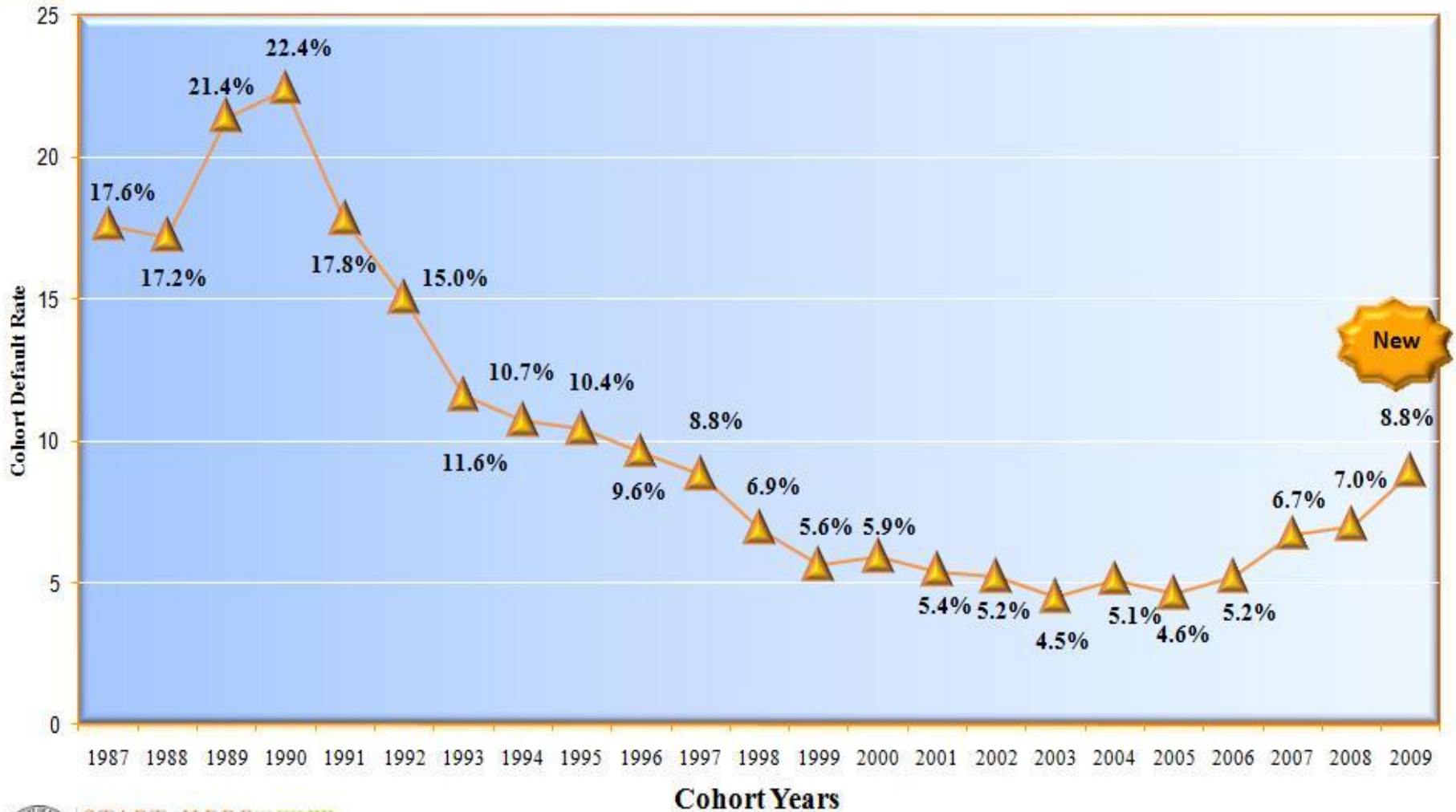
- Currently, a school's cohort default rate is the percentage of the number of the school's FFEL and Direct Loan borrowers who enter repayment in one Federal Fiscal Year (October 1 through September 30) *who default in that federal fiscal year or by the end of the next federal fiscal year.*



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 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.



Regulatory Activity



START HERE
GO FURTHER
FEDERAL STUDENT AID®

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, 2011



October 29 Regs

- Definition of a Credit Hour
- Ability-to-Benefit (ATB)
- Return of Title IV Funds (R2T4)
- Satisfactory Academic Progress
- Incentive Compensation
- Written Agreements Between Schools
- Misrepresentation
- Disbursements for Books and Supplies
- State Authorization



October 29 Regs

- High School Diploma
- Verification
- Gainful Employment



High School Diploma



START HERE
GO FURTHER
FEDERAL STUDENT AID®

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



START HERE
GO FURTHER
FEDERAL STUDENT AID®

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 report all changes, 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

- Annual Federal Register notice—
 - Items to verify
 - Acceptable documentation
- Federal Register Notice: July 13, 2011
- DCL GEN-11-13, July 2011



2012-13 Verification Items

- All Applicants—
 - Number in Household –
 - Not required if:
 - Dependent student household size reported is two and the parent is unmarried or three if the parent is married.
 - Independent student household reported is one and the applicant is unmarried or two if the applicant is



2012-13 Verification Items

- All Applicants —
 - Number in College
 - Not required if reported is one.

2012-13 Verification Items

- All Applicants –
 - Food Stamps (SNAP), if receipt reported on FAFSA—
 - Documentation from the agency that issues Food Stamps benefit or alternative documentation as determined by the institution to be sufficient to confirm that the applicant received Food Stamps in 2010 or 2011.



2012-13 Verification Items

- All Applicants –
 - Child support paid if amount reported on FAFSA—
 - Statement signed by the applicant, spouse, or parent who paid the child support certifying:
 - Amount of child support paid
 - Name of the person to whom child support was paid
 - The name of the children for whom child support was paid.



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 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 Documentation

- Comprehensive list in July 13, 2011 Federal Register notice
 - IRS Data Retrieval Process
 - IRS Transcript
 - Request
 - On-Line
 - Phone – (800) 908-9946
 - Form 4506T-EZ
 - IRS Tax Return: Limited conditions



IRS Data Retrieval

- 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 based on results



IRS Request Flag Values

IRS Request Flag on ISIR will begin to be populated

| Student & Parent IRS Request Flag | Description |
|--------------------------------------|--|
| 00 | IRS data request for the student/parent was not submitted to IRS (default value) |
| 01 | IRS data request for the student/parent was sent to IRS |
| 02 | IRS data for the student/parent was returned from the IRS and was not changed by the user |
| 03 | IRS data for the student/parent was returned from IRS and was changed by the user |
| 04 | IRS data for the student/parent was transferred from the IRS and on a correction entry at least one IRS data field was changed by the user |



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.




IRS Data Retrieval Tool

2012-2013
FAFSA on the Web will include logic to make the determination for the applicant.

Student Tax Information

For 2010, have you completed your IRS income tax return or another tax return?

 You may be able to use the [IRS Data Retrieval Tool](#) to view and transfer your tax information from the IRS. We can determine if the IRS Data Retrieval Tool has the information you need to complete your FAFSA.

Do any of the following statements apply to you? Check any that apply.

- My tax filing status is "married filing separately".
- My tax filing status is "Head of Household".
- I filed an amended tax return.
- I filed a foreign tax return.
- I filed my taxes within the last 8 weeks.
- None of the above.

Based on your response, the IRS Data Retrieval Tool will not provide the information you will need to complete your FAFSA. We recommend you complete the FAFSA using your own financial records. Click **Next** to continue.

[PREVIOUS](#) [NEXT](#)

[NEED HELP?](#) [SAVE](#) [CLEAR ALL DATA](#) [VIEW FAFSA SUMMARY](#) [EXIT](#)



Gainful Employment



START HERE
GO FURTHER
FEDERAL STUDENT AID®

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



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 institutions 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

- Two sets of Final Rules published on October 29, 2010, with effective dates of July 1, 2011-
 - Program Integrity –
 - Disclosures
 - Reporting
 - Gainful Employment –
 - New Programs
- Final Rules on metrics to define gainful employment published on June 13, 2011



Gainful Employment Program

- A Gainful Employment program is identified by the:
 - 6 digit OPEID of the institution offering the program (8 digits for reporting)
 - 6 digit CIP Code (Classification of Instructional Program) assigned to the program by the institution
 - 2 digit Credential Level (See NSLDS Gainful Employment Users Guide)



Disclosures

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



Disclosures

- Disclose for each GE Program:
 - Occupations that program prepares students to enter - by name and SOC code.
 - Program costs –
 - Tuition and fees, room and board, books and supplies. May include other costs.
 - Job placement rates for students completing the program.



Disclosures

- Disclose for each GE Program:
 - On-time completion rate
 - Median loan debt incurred by students who complete the program
 - Title IV loan debt (FFEL and Direct Loan only) – Amount borrowed.
 - Private educational loan debt – Amount borrowed.
 - Institutional financing plans – Amount owed.



Disclosures

- Institution must use disclosure form provided by the Department, when available.
 - Not available by July 1, 2011.
 - Institutions must comply with the disclosure requirements independently until form is available.
- See GE Electronic Announcement # 25
 - Disclosures by Educational Program



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

- Approval is required if -
 - The institution is provisionally certified
 - The Department advises the institution that it must wait for approval.
 - The institution does not provide the required notification at least 90 days before the first day of class



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, 2012.



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

- Regulations say institutions must report by October 1st for enrollments in the -
 - 2006-2007 through 2009-2010 award years.
- Federal Register dated August 2, 2011
 - November 15, 2011 for 2010-2011.
 - Continue to accept reports for other award years through November 15, 2011.



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

- For each student who enrolled in a GE Program during the award year
 - Social Security Number
 - First, middle and last name
 - Date of birth
- Use student's Social Security Administration information.



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)



GE Reporting

- A student may be reported more than once if –
 - Student enrolled in a GE Program at the school in more than one award year.
 - Student enrolled in more than one GE Program, even if in the same award year.
 - Student had multiple enrollments in the same GE Program in same award year.



GE Reporting

- Missing Data
 - Must inform ED if data will not be provided.
Email to: GE-Missing-Data@ed.gov
 - Programs
 - Award Years
 - Students
 - Full Data
 - Approval is very rare
- Should send email if school has no GE Programs



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

- Based on a cohort of a GE Program's Former Students
 - 2YP – The third and fourth fiscal year prior to the most recently completed calculation year.
 - FY 2007 and FY 2008 for 2011 informational rates calculated in 2012.
 - FY 2008 and FY 2009 for 2012 official rates calculated in 2013.



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.



GE Metrics

- A loan is successfully being repaid if:
 - Its balance is reduced by at least \$1.00 over the course of the most recently completed fiscal year.
 - It has been paid in full.
 - It is on track to being forgiven due to public service employment.
 - The borrower is making payments under an interest-only or income-based repayment plan.



GE Metrics

Debt-to-Earnings Ratio (Annual Income)

Median Annual Loan Payment Amount
Mean or Median Annual Earnings

Debt-to-Earnings Ratio (Discretionary Income)

Median Annual Loan Payment Amount
Mean or Median Annual Earnings less 1.5 X
poverty guideline



GE Metrics

- SSA will provide the median and mean earnings of program graduates – ED will use the higher of the two.
- Schools can verify the lists of individuals submitted to SSA. However, the earnings data will be subject to SSA's strict protections on individual privacy.



GE Metrics

- Calculating of the annual loan payment—
 - Uses the program's median loan debt –
 - Title IV, Private Educational Loans and Institutional Financing Amounts.
 - Amortized at 6.8% over –
 - 10 years for a certificate or AA program,
 - 15 years for a baccalaureate program, or
 - 20 years for a graduate program.



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



GE Contact Information

General Information: IFAP Website
Gainful Employment Information Page

Policy Questions: ge-questions@ed.gov

Reporting Questions: nsldsge@ed.gov



Contact Information

Eric Santiago

- Phone: 787-779-0805
- Cell Phone: 787-934-9254
- E-mail: eric.santiago@ed.gov

Raúl Galván

- Phone: 214-661-9455
- E-mail: raul.galvan@ed.gov





START HERE
GO FURTHER
FEDERAL STUDENT AID®