

# Federal Update

Eric Santiago  
U.S. Department of Education  
2019 PRASFAA Annual Convention

**Federal Student Aid**  
*An OFFICE of the U.S. DEPARTMENT of EDUCATION*

PROUD SPONSOR *of*  
*the* AMERICAN MIND®

# Agenda

- Operational Updates and Reminders
- Statutory Updates
- Regulatory Updates

# Operational Updates and Reminders

# Topics

- FAFSA® Processing and Verification
- Payment Period Proration
- Revised Policy for Standard Term Length
- Financial Literacy
- Informed Borrower Tool
- Perkins Loans
- Data Accuracy/Integrity
- Single Audit Submission Requirements
- 2020 CIP Codes
- Cybersecurity

# 2020-2021 FAFSA Processing

- 2020-21 FAFSA launched successfully October 1, 2019
- See [Electronic Announcement, October 1, 2019](#)
- SSN field on the Login view is now masked

# 2019-2020 Deadline Dates

- 2019-2020 award year deadline dates for reports and other records associated with the *FAFSA*®, FSEOG, FWS, Pell Grant, Direct Loan, and the Iraq and Afghanistan Service Grant Programs was released on [November 1, 2019](#).
- A listing of the Campus-Based Program deadline dates for 2018-2019 expenditures and the 2020-2021 request was published on [January 24, 2019](#).

# Verification History

- Data-driven statistical analysis to select applicants for verification
- Machine learning model results in lower verification selection rates while also reducing improper payments
- The ISIR will display the selected applicants tracking group

# 2019-2020 Verification

- Income Tax Return
- Alternative documentation for Verification of Nonfiling
- [January 9, 2019 Electronic Announcement: Changes to 2018-2019 and 2019-2020 Verification Requirements](#)

# 2020-2021 Verification

- Same data items
- No changes to the verification tracking groups
- Acceptable documentation in the [Federal Register](#) Notice published May 24, 2019
- Suggested text meets regulatory requirements

# New IRS Tax Forms for 2018 Tax Year

- New Tax Form 1040 shortened/simplified (postcard size)
- Old Tax Form 1040 line items moved to new Schedules 1 – 6

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2018** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status:  Single  Married filing jointly  Married filing separately  Head of household  Qualifying widow(er)

Your first name and initial \_\_\_\_\_ Last name \_\_\_\_\_ Your social security number \_\_\_\_\_

Your standard deduction:  Someone can claim you as a dependent  You were born before January 2, 1954  You are blind

If joint return, spouse's first name and initial \_\_\_\_\_ Last name \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Spouse standard deduction:  Someone can claim your spouse as a dependent  Spouse was born before January 2, 1954  Full-year health care coverage or exempt (see inst.)

Spouse is blind  Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. \_\_\_\_\_ Presidential Election Campaign (see inst.)  You  Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. If more than four dependents, see inst. and ✓ here ▶

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

**Sign Here**  
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.  Your signature \_\_\_\_\_ Date \_\_\_\_\_ Your occupation \_\_\_\_\_ If the IRS sent you an Identity Protection PIN, enter it here (see inst.) \_\_\_\_\_

Spouse's signature. If a joint return, both must sign. Date \_\_\_\_\_ Spouse's occupation \_\_\_\_\_ If the IRS sent you an Identity Protection PIN, enter it here (see inst.) \_\_\_\_\_

**Paid Preparer Use Only**  
Preparer's name \_\_\_\_\_ Preparer's signature \_\_\_\_\_ PTIN \_\_\_\_\_ Firm's EIN \_\_\_\_\_ Check if:  3rd Party Designee  Self-employed

Firm's name ▶ \_\_\_\_\_ Phone no. \_\_\_\_\_  
Firm's address ▶ \_\_\_\_\_

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 113208 Form **1040** (2018)

Form 1040 (2018) Page **2**

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRAs, pensions, and annuities	4a	
5a	Social security benefits	5a	
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	
8	Standard deduction or itemized deductions (from Schedule A)	8	
9	Qualified business income deduction (see instructions)	9	
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	
11	a Tax (see inst.) (check if any from: 1 Form(s) 8814 2 Form 4972 3 <input type="checkbox"/> )	11	
12	a Child tax credit/credit for other dependents b Add any amount from Schedule 3 and check here ▶ <input type="checkbox"/>	12	
13	Subtract line 12 from line 11. If zero or less, enter -0-	13	
14	Other taxes. Attach Schedule 4	14	
15	Total tax. Add lines 13 and 14	15	
16	Federal income tax withheld from Forms W-2 and 1099	16	
17	Refundable credits: a EIC (see inst.) b Sch. 8812 c Form 8863	17	
18	Add any amount from Schedule 5	18	
19	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	19	
20a	Amount of line 19 you want refunded to you. If Form 8888 is attached, check here ▶ <input type="checkbox"/>	20a	
▶ b	Routing number	▶ c Type:	<input type="checkbox"/> Checking <input type="checkbox"/> Savings
▶ d	Account number		
21	Amount of line 19 you want applied to your 2019 estimated tax	21	
Amount You Owe	22 Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	22	
23	Estimated tax penalty (see instructions)	23	

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information. Form **1040** (2018)

# New IRS Tax Forms for 2018 Tax Year

- Tax Forms 1040A/1040EZ Eliminated
- Tax Form Schedule 1 used as the proxy for same purpose that 1040A/1040EZ had for Auto-Zero and Simplified Needs Test eligibility

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		2018 Attachment Sequence No. 01	
Name(s) shown on Form 1040				Your social security number	
<b>Additional Income</b>	1-9b Reserved			1-9b	
10	Taxable refunds, credits, or offsets of state and local income taxes			10	
11	Alimony received			11	
12	Business income or (loss). Attach Schedule C or C-EZ			12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>			13	
14	Other gains or (losses). Attach Form 4797			14	
15a	Reserved			15b	
16a	Reserved			16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			17	
18	Farm income or (loss). Attach Schedule F			18	
19	Unemployment compensation			19	
20a	Reserved			20b	
21	Other income. List type and amount ▶			21	
22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23			22	
<b>Adjustments to Income</b>	23 Educator expenses	23			
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24			
25	Health savings account deduction. Attach Form 8889	25			
26	Moving expenses for members of the Armed Forces. Attach Form 3903	26			
27	Deductible part of self-employment tax. Attach Schedule SE	27			
28	Self-employed SEP, SIMPLE, and qualified plans	28			
29	Self-employed health insurance deduction	29			
30	Penalty on early withdrawal of savings	30			
31a	Alimony paid	31a			
	b Recipient's SSN ▶				
32	IRA deduction	32			
33	Student loan interest deduction	33			
34	Reserved	34			
35	Reserved	35			
36	Add lines 23 through 35			36	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2018

# IRS Tax Transcript

- Effective 9/23/18, IRS tax transcripts display a reduced number of digits/characters for SSN, EIN, account/phone #, last name, address
- *The revised IRS tax transcript is acceptable for verification purposes*
- Details on additional changes to IRS tax transcripts and Form 4506 are described in an [October 4, 2018 Electronic Announcement](#)
- The tax transcript has been modified to accommodate changes in tax forms

# Proration of Payment Period Charges

- The Department provided guidance and a series of Q & As in a [March 5, 2019 Electronic Announcement](#) about when and how to prorate costs associated with books, supplies, and equipment when a school charges for these items upfront for periods greater than a payment period
- Guidance includes:
  - Explanation that a school is only required to prorate charges for books and supplies if students do not have a real and reasonable opportunity to purchase them elsewhere
  - Clarification that “real and reasonable opportunity” includes online purchasing options
  - Specific proration procedures
  - R2T4 considerations

# Revised Policy for Standard Term Length

- The Department reviewed its “standard term” policy and announced the following changes:
  - Semesters and trimesters may now be between 14 and 21 weeks of instruction;
  - Quarters may now be between 9 and 13 weeks of instruction; and
  - Standard terms are no longer required to be substantially equal.
- The *Electronic Announcement* posted [November 5, 2019](#) includes an attachment to a more detailed description of this policy revision that includes examples and Q&As.

# Best Practices in Financial Education

- On June 14, 2019, the Financial Literacy and Education Commission ([FLEC](#)), which includes the Department of Education and more than 20 other federal agencies, released [\*Best Practices for Financial Education at Institutions of Higher Education\*](#).
  - This report provides recommendations for postsecondary institutions to teach financial literacy skills and provide useful information to assist students making decisions related to student borrowing
  - The report also includes best practices for the delivery of financial literacy to the public as well as delivery of financial literacy at institutions of higher education

# Informed Borrower Tool

# What Is the Informed Borrower Tool (IBT)?

- Designed to assist borrowers in understanding the financial responsibility of funding their education
- Borrowers will see a user-friendly interface to view cumulative loan balance and repayment obligation
- Available on StudentAid.gov - initially as an informational tool

# What Is the IBT Confirmation Process?

- Starting in 2020-21, all Direct Loan (DL) borrowers (students and parents) will be required to confirm they have viewed the IBT before loans can be disbursed
- Schools must receive the confirmation for each borrower each award year before disbursing funds
- IBT Confirmation Process requirement will be implemented in **April 2020**

# Perkins Loans

- In a [September 16, 2019 Electronic Announcement](#), the Department provides guidance related to the assignment of Federal Perkins loans in default for two or more years
- In a [September 10, 2019 Electronic Announcement](#), the Department stated its authority to reimburse institutions for the institutional share of Perkins Loan Service Cancellations from the Perkins Fund

# Perkins Loans

- The Department will be sending institutions participating in the program a letter regarding the amount and deadlines by which the institutions must:
  - return to the Department the Federal share, and
  - remove and return to the institution the institutional share of their Perkins Loan Revolving Fund
- Institutions must return to the Department only the Federal share that has been requested
- Please do NOT return any Federal share or take out any institutional share *until* the Department formally notifies the school of this process (through COD)

# Data Accuracy/Integrity

- Data provided to the Department serves important purposes. It is imperative that the data be accurate.
  - COD
    - Student's academic program information
  - NSLDS®
    - Enrollment, including academic program
    - Perkins loan reporting
  - FISAP
    - Annual and cumulative fields

# Single Audit Submission Requirements

- [November 5, 2019 Electronic Announcement](#) “Single Audit Submission Requirements for Fiscal Years Ending Within Calendar Year 2019 and Future Fiscal Years”
- Public and non-profit institutions participating in Title IV programs that submit a Single Audit that does not include the Student Financial Assistance Cluster as a major program are not required to notify their respective School Participation Division of any low-risk designation for fiscal years ending within calendar year 2019 and future fiscal years
- Institutions must still submit (via the eZ-Audit system) their complete Single Audit each year by the due date regardless of whether the Student Financial Assistance Cluster was audited as a major program

# 2020 CIP Codes

- The Classification of Instructional Programs (CIP) is a set of codes that define fields of study.
- CIP Codes are maintained by the Department's National Center for Education Statistics (NCES). A “crosswalk” from 2010 to 2020 CIP Codes is available at:  
<https://nces.ed.gov/ipeds/cipcode/crosswalk.aspx?y=56>.
- We will be implementing the final updates to these CIP Codes in COD and NSLDS with updates in March 2020.

# FSA Cybersecurity Compliance

- Federal Student Aid recognizes the importance of strong data security and has consolidated its cybersecurity compliance information and resources on IFAP.
- The page contains instructions for reporting a breach, assessing compliance with the FTC's Safeguards Rule, as well as information on privacy regulations, documents, and tools.
- Please bring these resources to the people on your campus who are responsible for this.

## Information Pages

- [FAFSA and the IRS DRT](#)
- [Gainful Employment](#)
- [150% Direct Subsidized Loan Limit](#)
- [Campus-Based Programs](#)
- [Cash Management](#)
- [Default Prevention](#)
- [DHS-SAVE, Eligible Noncitizen](#)
- [Foreign Schools](#)
- [Loan Servicing and Collection](#)
- [HEAL Program](#)
- [MSURSD Catalog Reference Documents](#)
- [Cybersecurity Compliance](#)

# Statutory Updates

# Topics

- Fiscal Year 2020 Appropriations
- Pell Payment Schedule
- Children of Fallen Heroes Scholarship Act
- FAFSA Data Usage and Student Privacy
- Deferment for Cancer Treatment
- Public Service Loan Forgiveness
- Foreign Gift Reporting

# Fiscal Year 2020 Appropriations

- Continuing Resolution
- FY20 Minibus Appropriations Bill

# Pell Payment Schedule

- FY20 Pell Payment Schedule
  - Estimated release date

# Children of Fallen Heroes Scholarship Act

- Public Law 115-141, effective March 23, 2018, amended Sec. 473(b) of HEA and expanded special rule for “EFC shall be deemed zero”
- Student must be eligible to receive Pell Grant for the year in which eligibility determination is made beginning with 2018-2019 award year
- Determine and document, working with the student, that the student met eligibility requirements
- Documentation requirements are not prescribed but examples are provided in [November 11, 2018 Electronic Announcement](#)

# Children of Fallen Heroes Scholarship Act

- Beginning in the 2020-21 award year:
  - FAA Access to CPS Online will be used to report eligibility to CPS
  - Flag will be carried on ISIR and comment set on SAR
  - COD will receive indicator to allow for proper awarding and disbursing of funds

# FAFSA Data Use and Student Privacy

- The law permits but does not require schools to provide FAFSA data to a scholarship granting organization or to an organization that assists an applicant in applying for and receiving Federal, State, local, or tribal assistance.

# Deferment for Cancer Treatment

- On [August 22, 2019](#), the Department published an Electronic Announcement regarding approval of the new Cancer Treatment Deferment Request Form
- The EA includes information on the statutory requirements for the deferment as well as instructions for the form and corresponding process
- For the borrower to receive a deferment, a Doctor of Medicine or Osteopathy who is legally authorized to practice medicine must certify that the borrower is or was receiving cancer treatment in the physician's care, and the dates of that treatment

# Public Service Loan Forgiveness (PSLF)

- PSLF was created in 2007 and, among other requirements, specified that borrowers must make 120 qualifying payments on a Direct Loan under an income-driven repayment plan
- The Department is working to alleviate confusion and provide a better, more modern customer experience
  - PSLF Help Tool was developed in 2018 - [StudentLoans.gov/PSLF](https://studentloans.gov/PSLF)
  - Additional enhancements are expected next year

# TEPSLF

- ED will reconsider borrower eligibility for Public Service Loan Forgiveness using an expanded list of qualifying repayment plans and some payments that don't count toward PSLF may count toward forgiveness under TEPSLF
- Additional qualifying repayment plans include:
  - Graduated Repayment Plan
  - Extended Repayment Plan
  - Consolidation Standard Repayment Plan
  - Consolidation Graduated Repayment Plan
- Refer to [May 23, 2018 Electronic Announcement](#)

# Foreign Gift Reporting

# What Is HEA Section 117?

- Institutions of higher education (IHE) must file a disclosure report if the IHE:
  1. Is owned or controlled by a foreign source,
  2. Receives a gift from a foreign source (> \$250,000), or
  3. Enters into a contract with a foreign source (> \$250,000).
- > \$250,000 means alone or in combination with all other gifts from or contracts with that foreign source within a calendar year

# What is the definition of a "foreign source"?

The HEA defines the term "foreign source" as –

- A foreign government, including an agency of a foreign government;
- A legal entity created solely under the laws of a foreign state or states;
- An individual who is not a citizen or national of the United States; and
- An agent acting on behalf of a foreign source.

# When Are Section 117 Reports Due?

- Must file every 6 months
- By January 31st for preceding July 1st – December 31st
- By July 31st for preceding January 1st – June 30th
- Institutions may temporarily suspend reporting of Foreign Gifts via the E-App process pending an announcement early next year

# What's Changing?

- New Proposed Information Collection published Sept. 6, 2019 (84 Fed. Reg. 46943)
- Comments available at <http://www.regulations.gov>
  - (Deadline for comments was Nov. 5, 2019)
- Information collection should be final by January 2020 in time for Jan. 31, 2020 reporting

# How Will It Change?

## CURRENT REPORTING

- Through e-App Q#71
- 6 fields
- 162 IHEs filed reports in last 7 years

## PROPOSED REPORTING

- Through online portal
- Multiple fields with separate entries for gifts and contracts
- Expect increase in IHE filing
- Expect increase in number of transaction reports by IHEs

# Regulatory Updates

# Negotiated Rulemaking 2019

January-April of 2019, the Department conducted negotiated rulemaking on the following issues:

- Accreditation
- Distance Education and Innovation
- State Authorization of Distance Programs
- TEACH Grants
- Participation of Faith-Based Entities in Title IV

# Negotiated Rulemaking 2019

- The Negotiated Rulemaking Committee reached consensus on all issues!
- The issues will be published in three separate packages:
  - Accreditation/State Authorization (published Nov 1<sup>st</sup>)
  - TEACH/Faith-Based Issues
  - Distance Education and Innovation

- Final rules for the Accreditation package were published on November 1, 2019.
- The rules will become effective July 1, 2020 (with the exception of a few provisions that will be delayed to allow for a smooth transition).

## The Regulations will:

- Define the roles and oversight responsibilities of each member of the triad
- End distinctions between accrediting agencies based on their geographic scope
- Create opportunities for new accrediting agencies that give priority to student needs and outcomes

# Accreditation and State Authorization Distance Education Regulations

- Enable new programs and curricular changes to be approved more quickly to ensure that education keeps pace with workplace needs
- Explicitly allow institutions to engage employers in program development and review
- Inform student choice by helping students determine which programs are mostly likely to prepare them to meet the licensure or certification requirements in certain occupations
- Ensure that students studying at foreign institutions have the opportunity to complete part of their program in the U.S. or to take courses offered by other institutions in the country in which they are enrolled

Revise state authorization for distance education requirements:

- Recognize state authorization reciprocity agreements
- For institutions that are part of a reciprocity agreement, enable states to enforce additional requirements not related to authorization of distance education
- Refer to the student's location (rather than residence)
- Provide for early implementation of the state authorization provisions
  - To early implement, institutions must document the decision and provide documentation to the Department upon request

## Upcoming Webinars:

- January 22, 2-3 p.m. EST:
  - New recognition process, standards, recognition criteria, and implementation time frame
- January 23, 2-3 p.m. EST:
  - Substantive change, compliance, time frames, additional locations, alternate standards, and student outcomes
- January 30, 2-3 p.m. EST:
  - Teach outs, closures, state authorization, and additional locations

# TEACH Grants & Faith-Based Entities

## Forthcoming Proposed Rules:

- TEACH Grants and Faith-Based Issues
- Distance Learning and Educational Innovation

# TEACH Grants & Faith-Based Entities

To minimize the number of TEACH Grants that are converted to Federal Direct Unsubsidized Loans, the consensus language proposes to:

- Simplify TEACH Grant program requirements
- Update, strengthen, and clarify other areas of the TEACH Grant program regulations

# TEACH Grants & Faith-Based Entities

Faith-Based Entities,  
The consensus language:

- Deletes outdated provisions that presume members of religious orders have no financial need
- Modifies provisions relating Work-Study, Public Service Loan Forgiveness, and loan deferments for volunteer work to ensure that the provisions do not encroach on the Free Exercise clause of the Constitution

# Distance Learning and Educational Innovation

The consensus language for the Distance Learning and Innovation packages address:

- The definition of “regular and substantive interaction,” as that term is used in the definitions of “correspondence course” and “distance education”
- The definition of the term “credit hour”

# Borrower Defense to Repayment

- Published final Institutional Accountability regulations on August 30, 2019.
  - Regulations will apply to all federal student loans made on or after July 1, 2020.
  - Regulations relating to financial responsibility will be available for immediate implementation.

# Borrower Defense to Repayment

The Regulations will....

- Grant borrowers the right to assert borrower defense to repayment claims against institutions, regardless of whether the loan is in repayment, in default, or in collection proceedings
- Maintain the current rule's preponderance of the evidence standard for all borrower defense to repayment claims

# Borrower Defense to Repayment

- Allow borrowers to file defense to repayment claims for three years from either the student's date of graduation or withdrawal from the institution
- Create streamlined and fair procedures, regardless of the borrower's current repayment status, that ensure basic due process for all parties

# Borrower Defense to Repayment

- Give students the ability to allege a specific amount of financial harm and to obtain relief in an amount determined by the Department, which may be greater or lesser than their original claim amount
- Extend the closed school discharge window from 120 days to 180 days, ensuring that students have a meaningful opportunity to obtain relief if they cannot complete their programs due to school closures

# Borrower Defense to Repayment

- Reduce precipitous closures by encouraging institutions to close only after the completion of well-planned teach-outs that allow students a reasonable opportunity to finish their programs
- Allow students to choose between accepting an institution's offer of a teach-out opportunity or submitting a closed school discharge to the Department

# Gainful Employment

- A Negotiated Rulemaking Committee was formed in 2018 to consider the Gainful Employment rules.
- Negotiations concluded without consensus being reached.
- The Final Rule, that repealed the 2014 rule, was published on July 1, 2019.

# Gainful Employment

**June 28, 2019** – Electronic Announcement

Early Implementation of the Rescission of the Gainful Employment Rule....

- Any institution that early implements the rescission must document its early implementation internally
- Must make such documentation available upon request by the Department

# Gainful Employment (GE)

**June 28, 2019 – Electronic Announcement**

- Institutions that early implement the rescission of the GE rule:
  - Were not required to report GE data for the 2018-2019 award year to NSLDS
  - Will not be required to comply with the current requirements in 34 CFR 668.412 (d) and (e) that require institutions to include the disclosure template, or a link thereto, in their GE program promotional materials and directly distribute the disclosure template to prospective students

# Gainful Employment

## June 28, 2019 – Electronic Announcement

- Institutions that early implement the rescission of the GE rule will....
  - No longer be required to post the GE Disclosure Template and may remove the template and any other GE disclosures that are required under 34 CFR 668.412 from their web pages
  - Not be required to comply with the certification requirements for GE programs under 34 CFR 668.414

# Thank You!

Eric Santiago  
eric.santiago@ed.gov