

**Perkins Surprise and V6 Demise:
A Federal Update**

**CAPFAA Business Meeting
New Haven, CT
June 1, 2016**

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US Department of Education

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Perkins Loan Program Updates



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Perkins Grandfathering

Narrow "grandfathering" provision allows schools to make Perkins loans to certain students through September 30...if:

- Student received one Perkins loan disbursement on or before June 30 of the current year (or earlier),
- Student is enrolled where the last Perkins Loan disbursement was received
- Student is in same academic program for which student received his or her last Perkins disbursement
 - First four digits of the program's CIP code are identical

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Surprise!

- Congress ultimately *did* extend the Perkins Loan program
 - Federal Perkins Loan Program Extension Act signed into law on December 18, 2015
 - Extends the Perkins Loan program through September 30, 2017



Perkins Loan Program Changes

- Definitions of “new” and “current” borrowers apply only to a student’s current institution
- Additional disclosures are required regarding the termination of the Perkins Loan program, and how Perkins Loans differ from Direct Loans

*Dear Colleague Letter GEN-16-05
Electronic Announcement: May 2, 2016*



Perkins Loan Program Changes

- Graduate students
 - Loans may be offered to *current* graduate students through September 30, 2016
 - Must have received a Perkins Loan prior to October 1, 2015
 - Must be enrolled in the same program of study (same first four digits of CIP code)
- Undergraduate students
 - Loans may be offered to *new* and *current* students through September 30, 2017
 - For new students, all Direct Loan eligibility must be considered
 - For current students, only subsidized Direct Loans are considered



Perkins Liquidation Guide

*Federal Perkins Loan Assignment and
Liquidation Guide now available
on the IFAP website*

Electronic Announcement: March 30, 2016

Gainful Employment



Gainful Employment

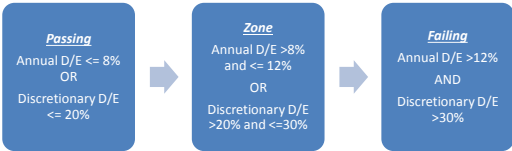
- Final rules published October 31, 2014
- Rules became effective July 1, 2015

Dear Colleague Letter GEN-15-12

Gainful Employment Measure

Debt-to-earnings (D/E) rates

- Annual earnings D/E rate
- Discretionary income D/E rate



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Gainful Employment Results

- Program loses eligibility if:
 - Fails D/E measures in two out of three years;

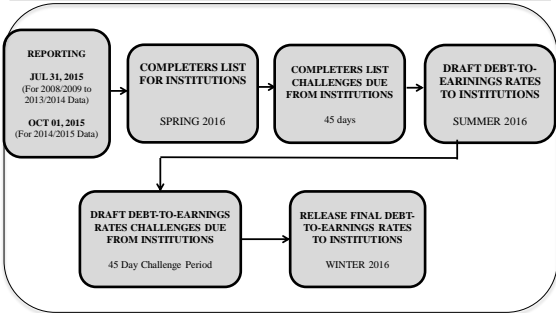
OR

 - Fails D/E measures or in the Zone for four consecutive years

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Important Dates



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**Happy
Completers List
Day!**

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Completers Lists

GE Electronic Announcement #71: December 11, 2015
GE Electronic Announcement #75: May 10, 2016

- Schools will have 45 days after their Draft Completer Lists are distributed to:
 - Make corrections to data elements
 - Challenge the inclusion or exclusion of a student on the list
- Any approved corrections and challenges should also be updated in NSLDS Gainful Employment Reporting

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Data Challenges and Appeals

GE Electronic Announcement #64: October 22, 2015
GE Electronic Announcement #67: November 16, 2015

- Through the Data Challenges and Appeals Solution (DCAS) Web-based interface, schools will be able to submit corrections and appeals to:
 - Gainful Employment (GE) rates
 - Information on the debt-to-income (D/E) rates

Enrollment open at SAIG: fsawebmail.ed.gov

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Completers List Training

Reading Your Draft GE Completers List Files:
June 2 and 7, 2016

Submitting GE Completers List Corrections:
June 14 and 16, 2016

Dear Colleague Letter ANN-16-09



GE Certifications

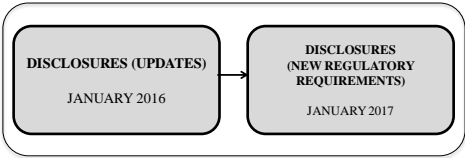
Gainful Employment certifications must be included when certifying or updating GE programs on the E-App, by...

- Including certification text in Question 69, or
- Submitting a signed certification with the signature page

GE Electronic Announcement #77: May 26, 2016



Important Dates



Ability to Benefit (ATB) and Career Pathway Programs

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ATB and Career Pathways

*Allows for Title IV eligibility for students without
a high school diploma or equivalent
who are enrolled in an eligible
“Career Pathway Program”*

(as defined under the Workforce Innovation and Opportunity Act)

Dear Colleague Letter GEN-16-09

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Ability to Benefit

To gain Title IV eligibility, a student must...

- Pass an ED-approved ATB test
(Electronic Announcement: June 24, 2015)
- Follow a State-defined ATB process
(none have ever been submitted)
- Successfully complete six credit hours
of coursework, or equivalent

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Eligible Career Pathway Program

A program combining rigorous and high-quality education, training, and other services that...

- Aligns with the skill needs of industries in the regional economy
- Prepares students to be successful in any of a full range of secondary or postsecondary education options, including apprenticeships
- Includes counseling to support students in achieving education and career goals



Eligible Career Pathway Program

A program combining rigorous and high-quality education, training, and other services that...

- Includes, as appropriate, education offered concurrently with and in the same context as workforce preparation activities and training to enter or advance within a specific occupation or occupational cluster
- Organizes education, training, and other services to meet student's needs in a manner that accelerates educational and career advancement



Eligible Career Pathway Program

A program combining rigorous and high-quality education, training, and other services that...

- *Enables students to attain a secondary school diploma or its recognized equivalent, and at least one recognized postsecondary credential*



Regulatory Activity



Negotiated Rulemaking

- Revised Pay as You Earn (REPAYE) repayment plan [December 17, 2015](#)
- Program Integrity [July 1, 2016](#)
 - Cash Management
 - Repeat Coursework
 - Clock Hours
- Borrower Defense [July 1, 2017](#)

Revised Pay As You Earn (REPAYE)



REPAYE

- Pay As You Earn (PAYE) repayment plan
 - Applies only to new borrowers as of October 1, 2007 who received a Direct Loan disbursement on or after October 1, 2011
 - Partial Financial Hardship required
- New REPAYE plan applies to *all* Direct Loan student borrowers, regardless of when they borrowed
 - Partial Financial Hardship *not* a requirement

REPAYE

- Limits loan repayment amount to 10% of discretionary income
- Loan forgiveness after 20 years for borrowers with only undergraduate loans
 - Forgiveness granted in 25 years for those with graduate-level loans

REPAYE

- Married borrowers must provide Adjusted Gross Income of spouse, regardless of filing status, unless:
 - The couple have separated
 - The student cannot access the spouse's information

REPAYE

- Email campaign to borrowers about REPAYE and income-driven repayment
 - 3.2 million borrowers contacted
 - 35% email open rate

Cash Management



Overview of Regulations

Require convenient access to aid	Prohibit fees uncommon in market	Require disclosures
Other updates to modernize	Most provisions effective July 1, 2016	Two provisions delayed until 2017

Who Is Covered?

Tier 1 (T1) Arrangement

- US school with third-party servicer
- Servicer processes Title IV aid, and
- Aid is disbursed to contracted account or information about the contracted account is provided to students

Tier 2 (T2) Arrangement

- US school that has a contract with a provider
- Provider is not a third-party servicer
- One or more Title IV credit balance recipients, and
- Product is marketed to students through school communication, student IDs, or cobranded cards

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New Requirements

All T1 and T2

- Student choice menu
- No automatic opening of accounts
- Privacy restrictions
- Contract disclosure

All T1

- ATM network
- Fee restrictions
- Contracts negotiated in best interest of students
- Average student cost disclosure

T2

(more than de minimis)

- Fee-free ATM
- Contracts negotiated in best interest of students
- Average student cost disclosure

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Reimbursement and HCM

HCM1

- Must pay any credit balances due to students prior to drawing down funds
- May not obtain authorization to hold credit balance funds

HCM2/Reimbursement

- Must pay any credit balances due to students prior to seeking reimbursement
- Must provide documentation as part of its request that the credit balances were paid
- May not obtain authorization to hold credit balance funds

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Disbursement by Payment Period

- School must disburse the Title IV funds for the current payment period during that payment period
- Exceptions:* late disbursements, retroactive payments, and payments for prior-year charges
- School may credit a student's account with Title IV funds to pay only for charges associated with the current payment period

Disbursement by Payment Period

For programs with substantially equal payment periods:

$$\frac{\text{Total Institutional Charges for Program}}{\text{Number of PP in Program}}$$

For all other programs:

$$\left(\frac{\text{Credit or Clock in PP}}{\text{Credit or Clock in Program}} \right) \times \text{Total Institutional Charges}$$

Books/Supplies in Tuition and Fees

Allowed if:			
School has arrangement with book publisher or other entity	Books/supplies available to students for prices below competitive market rates	Provides a way for students to obtain the books and supplies by the seventh day of the payment period, and	Has a policy permitting students to opt out

Books/Supplies in Tuition and Fees

Also allowed if:

The books and supplies are not available elsewhere or accessible by students from sources other than those provided or authorized by the school, **OR**

The school documents there is a compelling health or safety reason

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Allowance for Books and Supplies

- Currently, a process must be in place to allow Federal Pell Grant recipients to purchase books by the 7th day of a payment period
 - Applies to those students who would be due a Title IV credit balance as of 10 days prior to the start of the period
- This provision will be expanded to include *all* students with Title IV aid

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Repeat Coursework

For term-based programs, Title IV aid may be provided for one repetition of a previously passed undergraduate, graduate or professional course that is required because the student failed other coursework

*Federal Register: April 7, 2016
Early implementation as of this date*

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Clock Hour Programs

Programs offered in clock hours due to a Federal, State or other requirement that such programs be in clock hours will be able to offer the programs in credit hours for Title IV purposes

Borrower Defenses



Borrower Defenses

- Negotiations held...
 - January 12-14, 2016
 - February 17-19, 2016
 - March 16-18, 2016
- Anticipate publishing...
 - Proposed rules summer 2016
 - Final rules by November 1, 2016



Borrower Defenses

- Procedures for borrower to establish defense to repayment
- Criteria that will be used to identify acts or omissions of an institution that constitute defenses to repayment
- Standards and procedures that ED will use to determine school liability for amounts based on borrower defenses
- Effect of borrower defenses on institutional administrative capability assessments



2015-2016 Verification

Acceptance of alternative documentation is required provided conditions are met and procedures followed from Electronic Announcement: October 2, 2015

2016-2017 Verification Overview

- Same data elements as for 2015-2016
- Tracking group V3 eliminated
- Some modifications and clarifications to acceptable documentation
- In limited circumstances, an applicant's Verification Tracking Group could be changed to V5

Dear Colleague Letter GEN-15-11
Federal Register Notice: June 26, 2015
Suggested Verification text: November 18, 2015



2016-2017 Verification

Revised IRS Tax Return Transcript matrix available

2015 IRS Tax Return Transcript Item
Adjusted Gross Income Per Computer
For IRS Form 1040 Transcripts: * "Income Tax after Credits Per Computer" less "Excess Advance Premium Tax Credit Repayment Amount"
For IRS Form 1040A Transcripts: * "Tentative Tax Per Computer" less "Total Credits Per Computer"
For IRS Form 1040EZ Transcripts: * "Total Tax Liability TP Figures Per Computer" less "Health Care: Individual Responsibility"
<small>* For all transcripts, if taxes paid is negative, enter "0" (zero)</small>

Electronic Announcement: May 4, 2016



2016-2017 Verification

2016-2017
Application and Verification Guide
now available

Electronic Announcement: May 13, 2016



2017-2018 Verification

Required Verification items

Federal Register: April 1, 2016

Dear Colleague Letter GEN-16-07



2017-2018 Verification Changes

- SNAP benefits, child support paid, and other untaxed income are no longer required Verification items
- Tracking group V6 eliminated
- Confirmation of non-filing required for all tax non-filers and for applicants with tax filing extensions
- Documentation used for 2016-2017 Verification may also be used for 2017-2018 provided it meets current requirements



Application Processing



2016-2017 Updates

- Schools will no longer receive on the ISIR the list of schools to which the student is applying
- Improvements made to messaging and edits
 - Legal guardianship
 - Amended tax returns
 - Duplicate parent information
 - IRA rollovers
- Automatic Zero EFC income threshold raised to \$25,000



Draft 2017-2018 FAFSA

Comment period closed May 31, 2016
Federal Register: March 28, 2016



2017-2018 Updates

- States will receive on the ISIR the list of schools to which the student is applying in *random* order
Electronic Announcement: January 8, 2016
- The pre-printed FAFSA will no longer be available
 - The PDF FAFSA will still be available for download
- Medicaid will be added as a means-tested benefit





Odds and Ends

2016-2017 Interest Rates

*For Direct Loans first disbursed from
July 1, 2016 to June 30, 2017*

- Undergraduate loans: 3.76%
- Graduate loans: 5.31%
- Direct PLUS: 6.31%

Electronic Announcement: May 13, 2016

150% Subsidized Loan Limit

Common Subsidized Loan Limit Usage Inquiries:
Electronic Announcement: May 13, 2016

Program-Level Enrollment Reporting to NSLDS:
Electronic Announcement: May 13, 2016

Messaging for Borrowers

Numerous ED tools exist for assisting schools in communicating with borrowers leaving school, including new email templates and other outreach resources

Electronic Announcement: May 13, 2016



Teacher Certification Programs

An otherwise eligible student may receive Title IV aid for a non-credential teacher certification program...

- To receive an initial teaching credential
- For periodic renewal of a teaching credential
- For a student who has a teaching credential in one State, to receive a credential in another State
- To receive an additional teaching credential that is required by a State to teach in a different subject area

Dear Colleague Letter GEN-16-10



FM 2017-2018

Federal Need Analysis Methodology published for 2017-2018

Federal Register: May 24, 2016



Protecting Student Information

Under various Federal and state laws and other authorities, institutions and their third-party servicers may be responsible for losses, fines and penalties (including criminal penalties) caused by data breaches



Protecting Student Information

- Higher Education Act
- Federal Educational Rights and Privacy Act (FERPA)
- Graham-Leach-Bliley (GLB) Act
- Red Flags Rule
- State privacy laws and regulations

*Dear Colleague Letter GEN-15-18
ptac.ed.gov*



Enterprise Complaint System

"[To] give students and borrowers a simple and straightforward way to file complaints and provide feedback about federal student loan lenders, servicers, collections agencies, and institutions of higher education. Students and borrowers will be able to ensure that their complaints will be directed to the right party for timely resolution, and the Department of Education will be able to more quickly respond to issues and strengthen its efforts to protect the integrity of the student financial aid programs."



Total and Permanent Disability (TPD)

The Department has announced a new process to match NSLDS data with Social Security Administration (SSA) records to identify borrowers possibly eligible for TPD discharges

- Matches based on receipt of disability income and status of "Medical Improvement Not Expected"
- Already almost 400,000 borrowers have been identified and will be contacted

Electronic Announcement: April 12, 2016

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Loan Servicing Portal

- Single loan servicing platform
- Department of Education branding
- Enhanced customer service and communication
- Reduced incidence of loan transfer
- Improved oversight and accountability

blog.ed.gov

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Other Initiatives

- Streamlining FSA ID process
- *StudentLoans.gov/Repay*
- CFPB *Payback Playbook*
- Loan counseling timing changes and experiments
- Advising Insights through Data (AID)
- White House debt challenge

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Training

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2016 Drive-In Workshops

Boston Regional Office

- Consumer Information.....April 27*
- R2T4 Clock Hour Basics.....May 12*
- R2T4 Credit Hour Basics.....June 29*
- R2T4 Term-Based Credit Hour with Modules.....August 3*
- Verification.....September 22*

Dear Colleague Letter ANN-16-03

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FSA Quick Takes

- Short video presentations available on topics of interest:
 - Finding FSA Training
 - Conflicting Information
 - Paper Secondary Confirmation Parts I and II
 - Professional Judgment

Electronic Announcement: April 22, 2016

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2016 FSA Training Conference



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Thank you!

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