

# U.S. Department of Education Federal Update

**Lynn B. Mahaffie**, Deputy Assistant Secretary  
Policy, Planning, and Innovation  
Office of Postsecondary Education (OPE)

**Jeff Baker**, Director  
Policy Liaison and Implementation  
Federal Student Aid (FSA)

# The North Star

“By 2020, America will once again have the highest proportion of college graduates in the world.”

President Barack Obama, February 24, 2009

**ACCESS**

**AFFORDABILITY**

**OUTCOMES**

# ACCESS

# ACCESS

- Pre-K-12
- First Lady's Reach Higher Initiative
  - Exposing students to college/career opportunities
    - encourage students to reach for the best college they can attend
  - Understanding financial aid
  - Encouraging academic planning and summer learning
  - Supporting high school counselors
- Promoting FAFSA Completion
- FAFSA Simplification

# AFFORDABILITY

# Affordability

## Front End Strategies

- America's College Promise
- Increase in Pell Grant funding
- Dual Enrollment Programs
- First in the World (FITW)

# America's College Promise

- Makes two years of college free and universal
- Students would be able to secure an associate's degree or certificate, earn the first half of a bachelor's degree, and gain skills needed in the workforce at no cost
- States must invest more in public higher education and training
- Community colleges must strengthen their programs and improve student outcomes
- Students must take responsibility for their education, attend at least half-time, and earn good grades, to stay on track to graduate

# First in the World

- Spur innovation to drive down costs while maintaining quality
- Support projects that lead to proven results
- Support innovative and novel solutions to higher education challenges

# First in the World

- In FY14, \$75 million was awarded to 24 colleges and universities in 17 states:
  - Nine four-year institutions
  - Five two-year institutions
  - \$20 million awarded to six minority-serving institutions, including one HBCU
- New competition for FY15 with \$60 million available
  - \$16 million set-aside for minority-serving institutions, including HBCUs

# Affordability

## Back End Strategies

- Student Aid Bill of Rights
  
- Income Driven Repayment Plans
  - Pay As You Earn (PAYE)



PRESIDENT OBAMA IS INTRODUCING A

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# STUDENT AID BILL *of* RIGHTS

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## **EVERY STUDENT IN AMERICA SHOULD:**

- I.** Have access to a high-quality, affordable higher education.
- II.** Be able to easily find the resources they need to pay for college.
- III.** Be able to choose an affordable repayment plan for student loans.
- IV.** Receive quality customer service, reliable information, and fair treatment when repaying loans.

#CollegeOpportunity

# Student Aid Bill of Rights

- Recent Announcements:
  - Protecting Social Security benefits of borrowers with disabilities who may qualify for a loan discharge or other repayment options
  - Ensuring that the debt collection process for defaulted Federal student loans is fair, transparent, and reasonable (compensation of collection agencies, guidance provided to collection agencies, ensuring accurate information provided)

# Undue Hardship Dear Colleague Letter GEN-15-13

- Published July 7, 2015
- Provides guidance to guarantors for the FFEL Program and institutions for the Perkins Loan Program on whether to provide consent or not object to a borrower's claim of undue hardship in a bankruptcy proceeding

# Pay As You Earn (PAYE)

- Caps payments for Federal Direct Student Loans at 10 percent of discretionary income for eligible borrowers
- Helps ensure that borrowers are able to manage their debt and avoid defaulting on their student loans
- Provides relief on loan payments, especially in a borrower's early years of repayment
- Complements other repayment plans that help borrowers manage their debt, including Income-Based Repayment

# Proposed Regulatory Changes for PAYE

- Extends the 10 percent payment cap to an additional 6 million Federal loan borrowers
- Creates a streamlined process to identify military service members who hold Federal Family Education Loan (FFEL) program loans and who are eligible for lower interest rates while they are on active duty
- Requires guaranty agencies to contact FFEL borrowers who rehabilitated their defaulted loans to provide them information on repayment plans—including income-driven repayment options—to help them decide which repayment plan to choose

# Pay As You Earn (PAYE)

- Negotiations held February - April, 2015; Committee reached consensus
- NPRM published July 9, 2015; 30-day comment period ends August 10, 2015
- Anticipate publishing final regulations by November 1, 2015
- Early implementation in December 2015

# OUTCOMES

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- College Ratings
- Gainful Employment Regulations
  - Consumer protections and information
  - Debt to income ratios

# College Ratings

- Received many public comments and listened to the feedback
- Realize there is difficulty determining best metric/s to judge every type of college and university
- Plan to release new, easy-to-use tools later this summer that will provide students with more data than ever before to compare college costs and outcomes

# College Ratings

- Will take a different, more consumer-driven approach than described in the past
- Instead of rating institutions, the Department will provide information to help students reach their own conclusions about a college's value
- Will provide open data to researchers, institutions, and the higher education community to help others benchmark institutional performance

# REGULATORY UPDATE

# Current Regulatory Efforts

- Cash Management
- Teacher Preparation
- Pay As You Earn

# Cash Management

- Proposed regulations propose tougher standards and greater transparency around agreements between colleges and companies providing prepaid/debit cards to students
  - Meaningful choice of products
  - Clear and neutral information
  - Looking at fees charged

# Cash Management

- Negotiations held in early 2014
  
- NPRM published in May of 2015
  
- Public comment period closed July 2, 2015
  - Received over 200 comments
  
- Anticipate publishing final rule by November 1, 2015
  
- Effective July 1, 2016

# Teacher Preparation

Goal: To help ensure teacher preparation programs are preparing educators who are ready to succeed in the classroom

Proposed regulations: Would focus Title II reporting on outcomes, including student achievement, employment, teacher and principal survey information, and tie outcomes to Title IV TEACH Grant eligibility

# Teacher Preparation

- Negotiations held in 2012
- Consensus not reached
- NPRM published on December 3, 2014
- Received nearly 5,000 comments
- Currently reviewing comments and working on final regulations

# Implementation of Final Regulations

- Gainful Employment
- PLUS Adverse Credit
- Violence Against Women Act
- State Authorization

# Gainful Employment (GE)

- Rules became effective July 1, 2015
- Published Dear Colleague Letter GEN-15-12 on June 30, 2015, summarizing the rules
- Reporting of data by July 31, 2015

# PLUS Loan Adverse Credit

- NPRM published August 8, 2014
- Final rule published October 23, 2014
- Early implementation began March 29, 2015
- Applies to both Parent PLUS and Grad PLUS

# PLUS Loan Adverse Credit

- No adverse credit if total outstanding balance is not greater than \$2,085 for debts that are:
  - 90 or more days delinquent
  - Placed in collections
  - Charged off (written off)
- \$2,085 can be increased by ED based on CPI if the change would be  $\geq$  \$100
- Borrowers who are eligible because of extenuating circumstances or endorser must complete Department provided counseling before loan can be disbursed

# Violence Against Women Act (VAWA)

- Signed by President on March 7, 2013
- Final rule published on October 20, 2014
- Regulations became effective July 1, 2015

# Violence Against Women Act (VAWA)

- Requires institutions to:
  - Maintain statistics on dating violence, domestic violence, sexual assault, and stalking
  - Provide, and describe in annual security reports, prevention and awareness campaigns
  - Provide a prompt, fair, and impartial disciplinary proceeding, and provide for requirements governing that proceeding
  - Provide information and support services to victims

# State Authorization

- Under regulations published October 29, 2010, in order to receive Title IV funds, institutions are required to have State authorization, including:
  - Approval to provide postsecondary education programs
  - A student complaint process
- Published Dear Colleague Letter GEN-15-10 on June 19, 2015
- Effective on July 1, 2015

# ATB and Career Pathway Programs

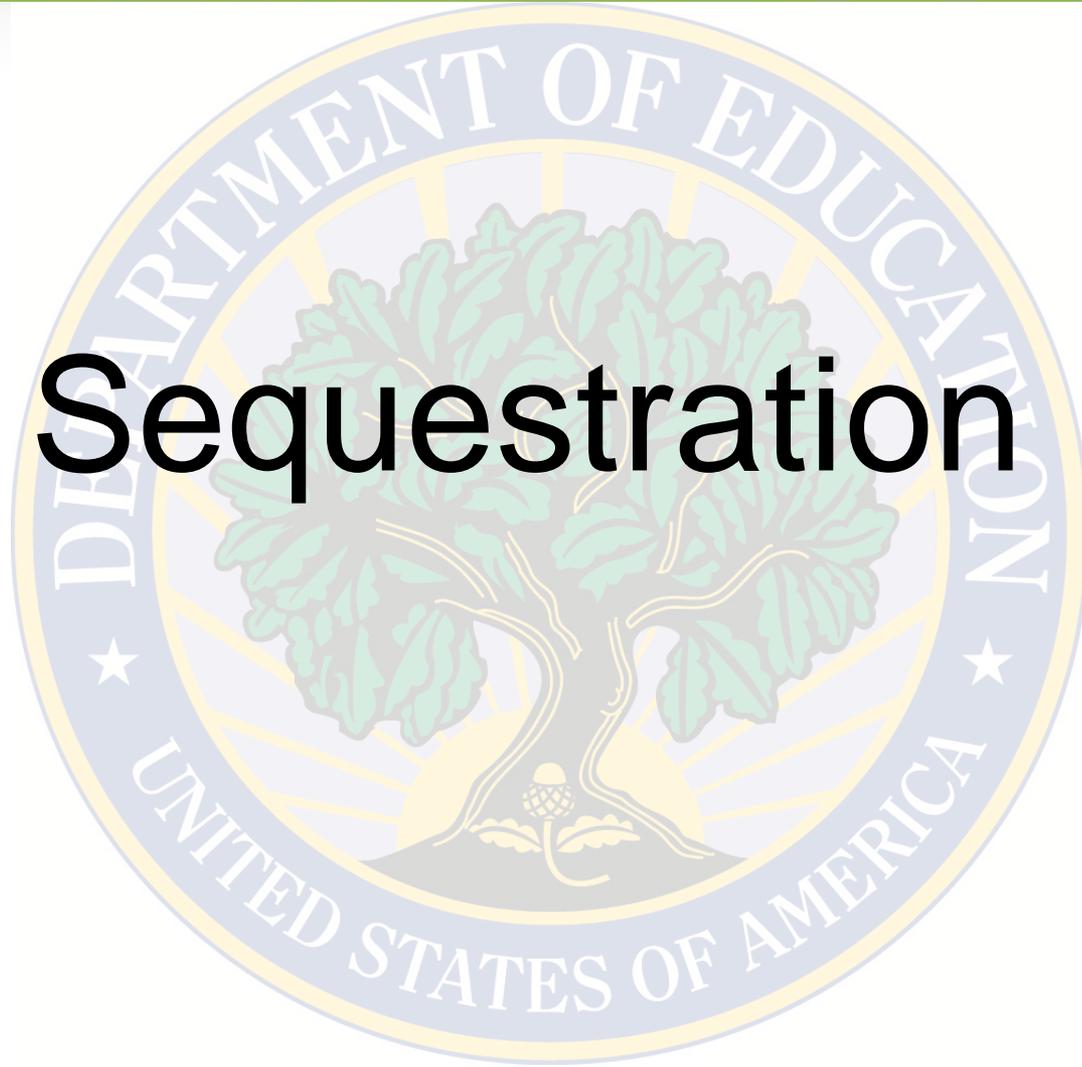


# ATB and Career Pathway Programs

(Consolidated and Further Continuing Appropriations Act, 2015)  
(DCL GEN-15-09)

- Establishes Ability-to-Benefit alternatives for students without a high school diploma, or equivalent (or home schooled) who are enrolled in an eligible “Career Pathway” “Program”.
- ATB –
  - Pass an ED approved ATB test
  - Complete six credit hours/225 clock hours
- Beginning July 1, 2015, reduced Pell Grant payment schedule

# Sequestration



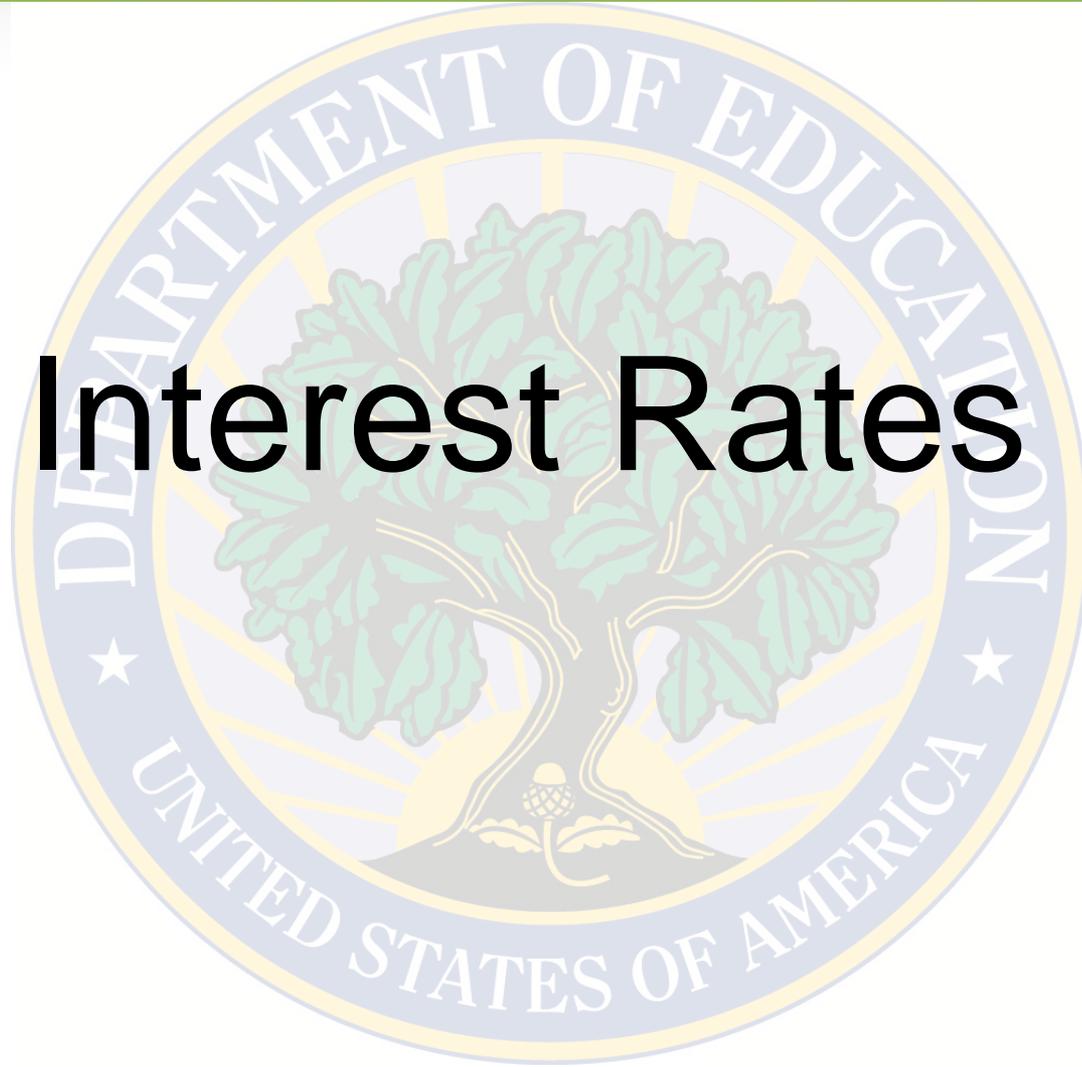
# Sequestration - Grants

- See DCL GEN-15-07, posted on April 23, 2015
- TEACH Grant awards must be reduced by 6.8% for FY 2016 (first disbursed between October 1, 2015 and September 30, 2016).
- Iraq-Afghanistan Service Grant awards reduced by 6.8% for FY 2016 (first disbursed between October 1, 2015 and September 30, 2016).

## Sequestration – Direct Loan Fees

- See DCL GEN-15-07, posted on April 23, 2015
- Subsidized Loans and Unsubsidized Loans –
  - 1.068 percent for loans first disbursed on or after October 1, 2015 and before October 1, 2016.
- PLUS Loans (Parent and Grad Student) –
  - 4.272 percent for loans first disbursed on or after October 1, 2015 and before October 1, 2016

# Interest Rates



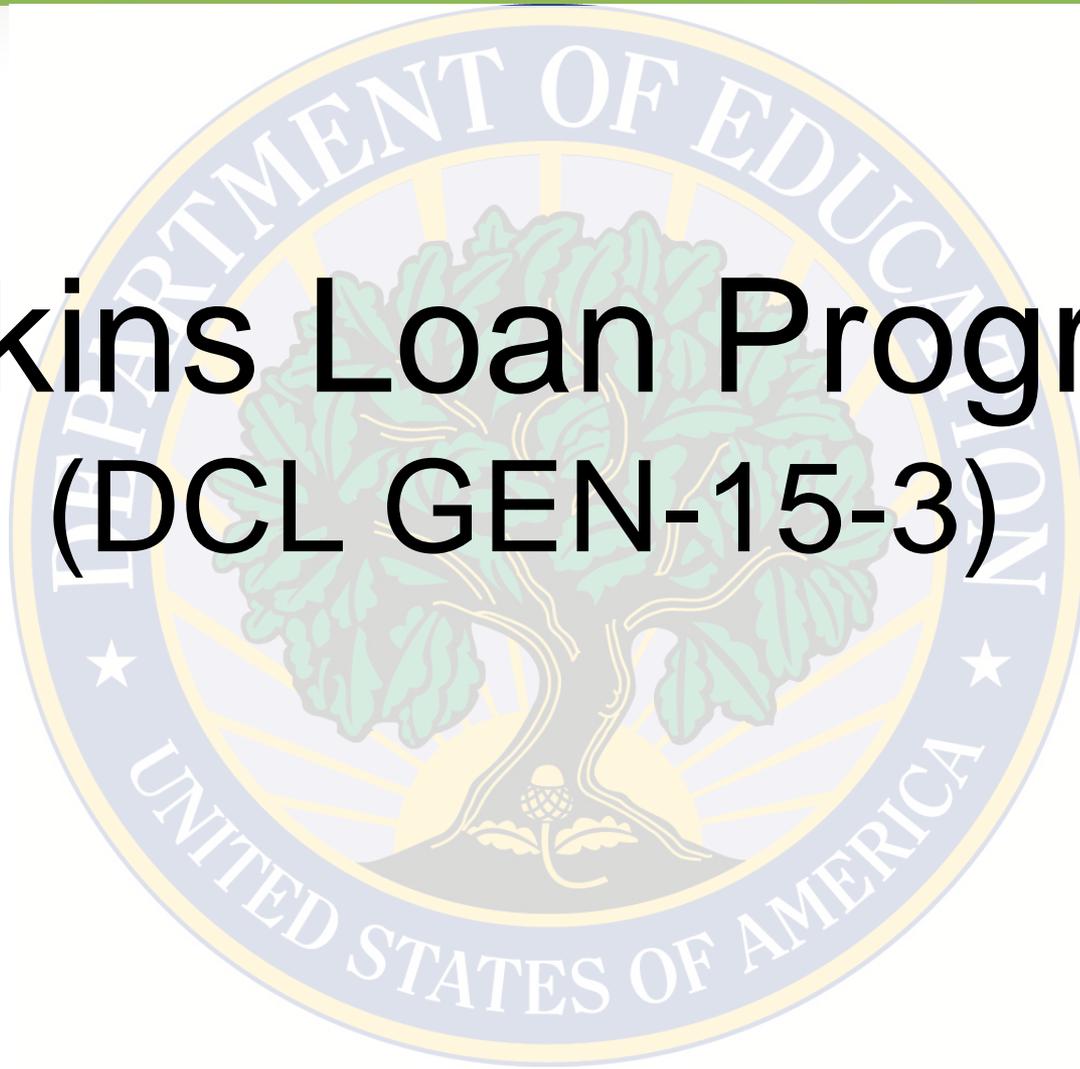
# Interest Rates

- Annual fixed rates based on 10 Year T-Bill, plus add-on.
- Applies to loans first disbursed between July 1 and June 30.
- Rate applies for the life of the loan.
- Add-ons and caps—
  - Undergraduate Sub and Unsub: 2.05/8.25%
  - Graduate Unsub: 3.60/9.5%
  - PLUS Loans: 4.60/10.5

## 2015-2016 Interest Rates

- Undergraduate Students - Sub and Unsub
  - 4.29% compared to 2014-2015 rate of 4.66%.
  
- Graduate students – Unsubsidized Loans
  - 5.84% compared to 2013-2014 rate of 6.21%.
  
- PLUS Loans (parent and grad/professional)
  - 6.84% compared to 2013-2014 rate of 7.21%.

# Perkins Loan Program (DCL GEN-15-3)



# Perkins Loan Program

- Dear Colleague Letter GEN-15-03
- Q&As on IFAP Home Page
- Program ends on September 30, 2015
  - Schools may not make Federal Perkins Loans to new borrowers after September 30, 2015.
  - If prior to October 1, 2015, a school makes the first disbursement of a Federal Perkins Loan to a student for the 2015-2016 award year, the school may make any remaining disbursements of that 2015-2016 loan after September 30, 2015.

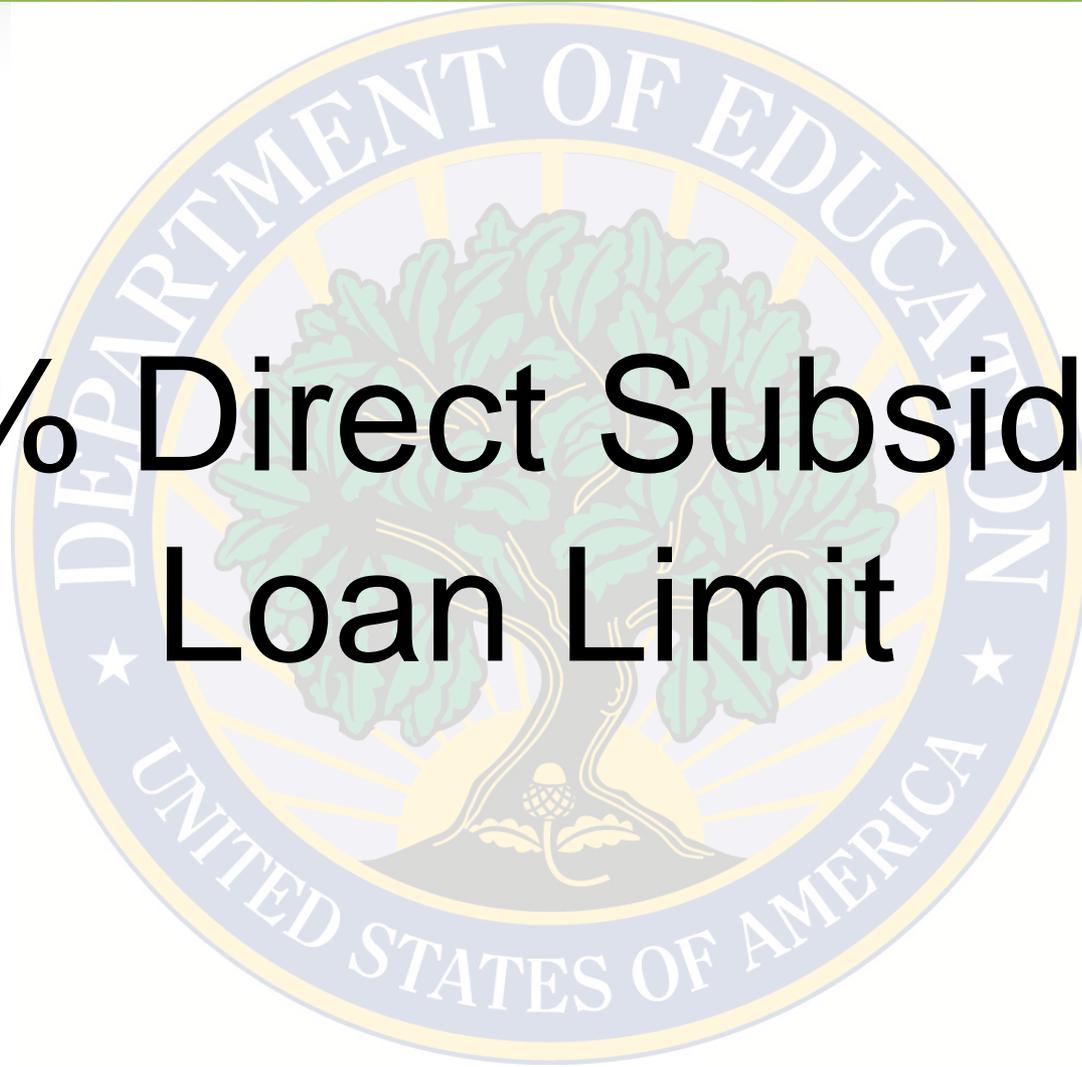
# Perkins Loan Program

- Narrow “grandfathering” provision
  - Allows schools to make Perkins Loans to certain students for up to five additional years (through September 30, 2020) to enable students who received loans for award years “to continue or complete courses of study.
  - Loans can be made only if all of the following conditions are met:

# Perkins Loan Program

- The school made at least one loan disbursement to the student on or before June 30, 2015.
- The student is enrolled at the same institution where the last Perkins Loan disbursement was received.
- The student is enrolled in the same academic program (same CIP Code) for which the student received his or her last Perkins Loan disbursement.
- Loan used to meet unmet need only after student has been awarded all Direct Subsidized Loan for which the student is eligible.

# 150% Direct Subsidized Loan Limit



# Subsidized Loan Limit

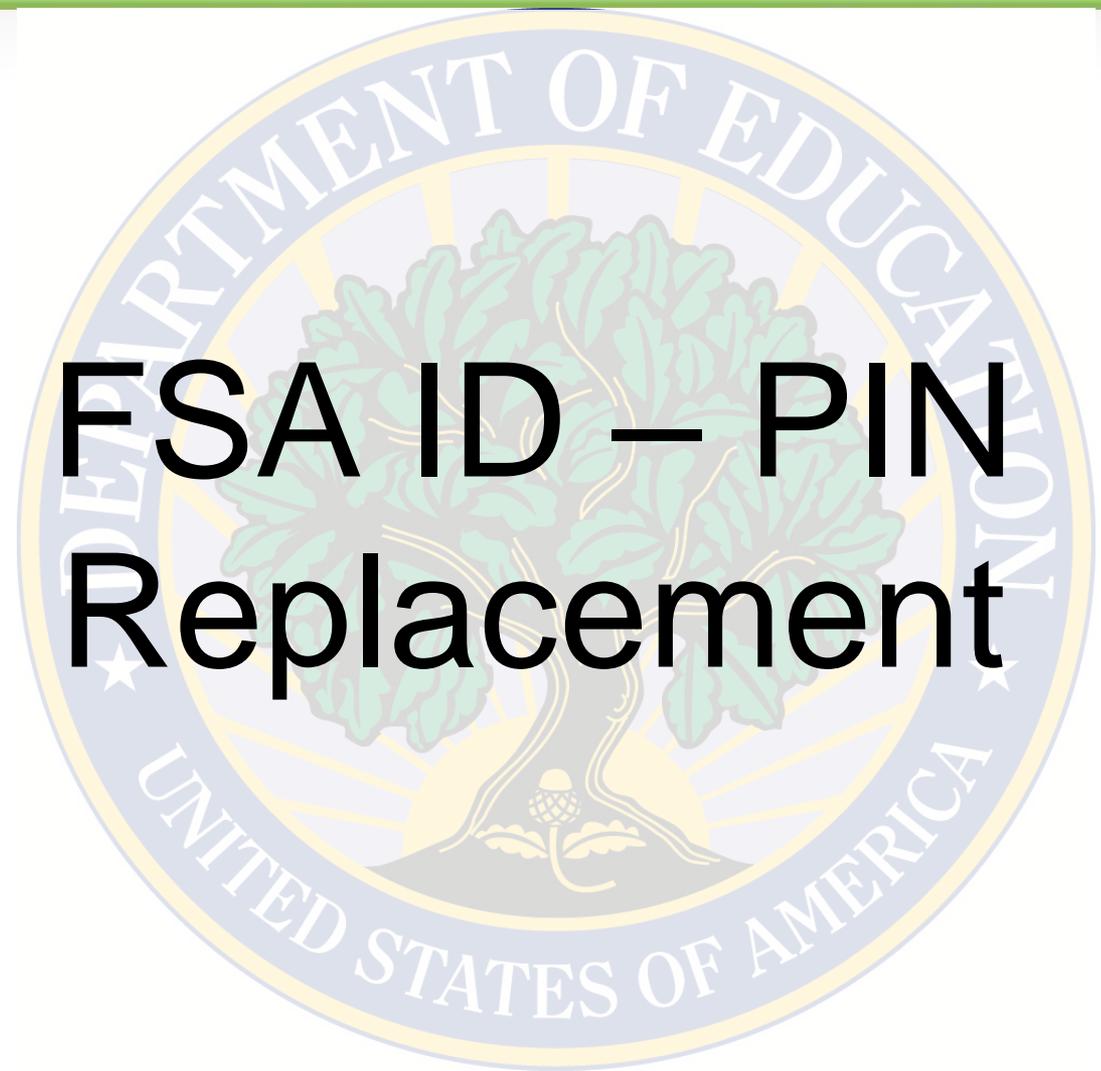
- Limit on how many years a “first-time borrower” may receive subsidized loans
  - Applies to first-time borrowers on or after July 1, 2013.
  - A first-time borrower is one who has no balance on any FFEL or Direct Loan on July 1, 2013, or

## Subsidized Loan Limit

- Condition - Student has received Direct Subsidized loans for a period of time that is equal to 150% of the published length of the student's current academic program
- Result - Student may not receive additional subsidized loans for enrollment in that program or in any program of equal or lesser length

# Subsidized Loan Limit

- A student who loses eligibility for additional subsidized loans may lose interest subsidy on previously received subsidized loans, if -
  - Student did not complete program, and
  - Continues in same program or,
  - Enrolls in another undergraduate program of the same or shorter length
- Effective on the date of the student's continued or new enrollment
- Electronic Announcement on IFAP on July 20



# FSA ID – PIN Replacement

# Gainful Employment



The HEA provides that to be Title IV eligible an educational program must be offered by:

A public or non-profit postsecondary educational institution and leads to a degree; or

Any institution and “to prepare students for *gainful employment* in a recognized occupation”.

➤ Generally, all non-degree programs must lead to *gainful employment*

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## Gainful Employment Measure

- Debt-to-earnings (D/E) rates
  - Annual Earnings D/E rate
  - Discretionary Income D/E rate
    - Passing: Annual D/E  $\leq 8\%$  or Discretionary D/E  $\leq 20\%$
    - Failing: Annual D/E  $> 12\%$  or Discretionary  $> 30\%$
    - Zone: Annual D/E  $> 8\%$  and  $\leq 12\%$  or Discretionary D/E  $> 20\%$  and  $\leq 30\%$

# Gainful Employment Results

- Program's loses Title IV eligibility if:
  - D/E measures – Fails in two out of three years;

OR

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

# GE Reporting

- GE reporting began last week (voluntary)
- Report all Title IV Students by July 31, 2015
  - Report 2008 – 2009 through 2013 – 2014 award years.
    - Programs with Medical and Dental Residencies report 2007 – 2008 through 2013 – 2014 award years.
- Report following award years by October.
- Data submitted in 2011 will not be available to reuse

# Experimental Sites



# Experimental Sites

- Current Experiments – 167 schools
  - Pell Grant – Eligibility of students with bachelor's degrees
  - Pell Grant for students enrolled in short-term programs - Looking for additional schools to join
  - Study Abroad - Early and single disbursement
  - Unequal disbursements of Direct Loans
  - Reduced Unsubsidized loan amounts
  - Two experiments for students with intellectual disabilities

# Experimental Sites

- Next Experiments – 90 schools to participate
  - Federal student aid to students enrolled in competency-based education programs
    - Looking for more schools to participate
  - Modified Direct Assessment Programs
  - Allowing Federal student aid to be used to pay for assessments of prior learning to evaluate students' knowledge
  - Waives FWS matching requirement for “near-peer” counselling

**THANK YOU**