General Session #2

Federal Update

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U.S. Department of Education
2019 FSA Training Conference for Financial Aid Professionals

Federal Student Aid
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December 2019
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 for public comment 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.
GS5. Application Processing

Day 2, Wednesday, 10:30 – 11:30 a.m. Hall 4, Overflow in Hall 5
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
2020-2021 Verification

- Filing extension beyond automatic six-month extension for 2018 tax year:
  - A copy of the IRS’s approval of an extension beyond the automatic six-month extension for tax year 2018
  - Verification of nonfiling from the IRS dated on or after October 1, 2019
  - A copy of IRS Form W–2 for each source of 2018 employment income received or an equivalent document; and
  - If self-employed, a signed statement certifying the amount of AGI and U.S. income tax paid for tax year 2018

Note: If an institution requires that, after the income tax return is filed, an individual granted an extension submit tax information, it must be used to reverify the income and tax information reported on the FAFSA.
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
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
New IRS Tax Forms for 2018 Tax Year

• Tax Form Schedule 1 proxy exceptions would have allowed 1040 filers to still be eligible to file 1040A.

• Institutions are not required to verify self-reported answer to Schedule 1 question.
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
On June 4, 2019, the IRS announced it would no longer fax tax transcripts to either the tax filer or a third-party, and Forms 4506, 4506-T and 4506T-EZ, will no longer have the option to submit tax information to a third-party.

Details on changes to faxing services and third-party mailings are discussed in a June 12, 2019 Electronic Announcement.
New IRS Tax Forms for 2018 Tax Year

- New Tax Transcript template allows for both the old (2017 and prior) tax forms and the new (2018 and subsequent) tax forms.

- Combines old tax lines and new tax lines into one transcript
  - Tax information/data should only appear on corresponding tax data line for applicable tax year.
Verification General Session


Day 2, Wednesday, 9 – 10 a.m. Hall 4, Overflow in Hall 5
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.
Proration of Payment Period Charges

- **Session 8. Cash Management: Institutional Charges**
  - Day 3, Thursday, 10:05 – 11:20 a.m. Hall 4
  - Day 3, Thursday, 1:15 – 2:30 p.m. Hall 4
  - Day 4, Friday, 8:45 – 10 a.m. Hall 5
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.
Best Practices in Financial Education

- **Session 27: Financial Literacy Matters**
  - Day 1, Tuesday, 12:30 – 1:45 p.m. C4
  - Day 1, Tuesday, 2:20 – 3:35 p.m. Hall 1B
  - Day 2, Wednesday, Noon – 1:15 p.m. C4
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.
Related Sessions and Resources

Session 5: Common Origination and Disbursement (COD) System Update
- Day 1, Tuesday, 2:20 – 3:35 p.m. Hall 1A
- Day 2, Wednesday, 1:50 – 3:05 p.m. Hall 5
- Day 3, Thursday, 10:05 – 11:20 a.m. Hall 5

Session 29: Next Gen StudentAid.gov Walkthrough and Coming Attractions!
- Day 1, Tuesday, 2:05 – 3:20 p.m. D2
- Day 3, Thursday, 8:45 – 10 a.m. A2

Next Gen FSA Exploration Corner in the Resource Center to see demos
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)
Perkins Loans

- **Session 15.** Reporting for the Campus-Based Programs, Assigning Loans to the Department, and Reimbursing Service Cancellations for Perkins

- Day 3, Thursday, 10:20 – 11:35 a.m. C4
- Day 3, Thursday, 1:15 – 2:30 p.m. Hall 1B
- Day 4, Friday, 8:30 – 9:45 a.m. D2
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
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.
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.
Session 24. Protecting Sensitive Data and Minimizing Fraud Through an Integrated Approach

- Day 2, Wednesday, 1:35 – 2:50 p.m. F2
- Day 3, Thursday, 11:55 a.m. – 1:10 p.m. Hall 1C

Session 25. Cybersecurity – The Challenges Facing FAA’s

- Day 1, Tuesday, 12:30 – 1:45 p.m. F2
- Day 2, Wednesday, Noon – 1:15 p.m. D2
- Day 3, Thursday, 10:20 -11:35 a.m. Hall 1C
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
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.

**Session 17: Financial Aid Data Use and Student Privacy**

- Day 3, Thursday, 10:20 – 11:35 a.m. A2
- Day 3, Thursday, 1:15 – 2:30 p.m. Hall 1A
- Day 4, Friday, 8:30 – 9:45 a.m. C4
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
  - 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
PSLF and TEPSLF

• Session 18: Public Service Loan Forgiveness (PSLF) and Temporary Expanded PSLF (TEPSLF)

• Day 3, Thursday, 11:55 a.m. – 1:10 p.m. A2
• Day 4, Friday, 8:30 – 9:45 a.m. C2
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.
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
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 1st)
  • TEACH/Faith-Based Issues
  • Distance Education and Innovation
Accreditation and State Authorization Distance Education Regulations

• 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).
Accreditation and State Authorization Distance Education Regulations

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
Accreditation and State Authorization Distance Education Regulations

- Session 12: Regulatory Update – Accreditation
  - Day 3, Thursday, 11:40 a.m. – 12:55 p.m. Hall 1A
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
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
Faith-Based Entities:

• The Department reviewed Title IV regulations in light of:
  • The Supreme Court’s decision in Trinity Lutheran Church of Columbia, Inc. v. Comer
  • The U.S. Attorney General’s Memorandum on Federal Law Protections for Religious Liberty relating to executive order 13798
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
• The Department will publish proposed rules soliciting public comment on TEACH grants and Faith-Based Issues in the near future.

• **Session 14: Regulatory Update – TEACH Grant and Faith-Based Issues**

  • Day 1, Tuesday, 2:05 – 3:20 p.m. A2
  • Day 2, Wednesday, 1:35 – 2:50 p.m. A2
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”
Distance Learning and Educational Innovation

• The requirement that an institution demonstrates a reasonable relation between the length of a program and entry-level requirements for the recognized occupation for which the program prepares the student

• Removes barriers to innovation and student completion, graduation, or employment

• Direct assessment programs and competency-based education
Distance Learning and Educational Innovation

• The Department will publish proposed rules soliciting public comment in the coming weeks.

• Session 13: Regulatory Update - State Authorization for Distance Education and Distance Education
  • Day 1, Tuesday, 12:30 – 1:45 p.m. A2
  • Day 2, Wednesday, Noon – 1:15 p.m. A2
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.
Borrower Defense to Repayment

• Provide fair, clear, and verifiable financial triggers for recalculating an institution's financial responsibility composite score and triggering additional security to protect taxpayers.

• Update composite score calculations to reflect changes to Financial Accounting Standards Board (FASB) accounting standards.
Session 11. Regulatory Update - Borrower Defense

• Day 3, Thursday, 8:30 – 9:45 a.m. Hall 1A
• Day 3, Thursday, 1:15 – 2:30 p.m. D2
• Day 4, Friday, 8:30 – 9:45 a.m. Hall 1C
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.
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!