



Department of Education Update

PacWest Student Financial Services Conference

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U. S. Department of Education

May 12, 2016



- Budget Issues
- Administration Initiatives
- Recent Legislation
- Regulatory Activity
- Perkins Loan Issues
- DCLs / Electronic Announcements





Budget Issues





- **Bipartisan Budget Act of 2015 (H.R. 1314)**
 - Increased discretionary spending by \$80 billion over two years (FY 2016 and FY 2017)
 - Separate appropriations bill needed to provide actual funding levels for each agency
- **Consolidated Appropriations Act, 2016 (H.R. 2029)**
 - Funds the Federal government through September 30, 2016



- FY 2017 Budget Proposal
 - Pell for accelerated completion
 - On-track Pell bonus
 - Second chance Pell
 - Perkins Loan modernization and expansion



- FY 2017 Budget Proposal
 - FAFSA® simplification
 - Strengthen and streamline Teacher Loan Forgiveness
 - Reform and streamline repayment plan options
 - Create a single PAYE plan for loans originated on or after July 1, 2017



- FY 2017 Budget Proposal
 - The single PAYE plan would:
 - Calculate loan payments based on 10% of discretionary income
 - Forgive the balance after 20 years of qualifying payments (or 25 years for borrowers with graduate school debt)
 - Calculate payments for married borrowers filing separately based on their combined AGIs
 - Cap the amount of interest that can accrue when a borrower's monthly payment is insufficient to cover the interest



- FY 2017 Budget Proposal
 - Reform Public Service Loan Forgiveness by:
 - Capping the forgiveness amount at \$57,500 to protect against institutional practices that may further increase student indebtedness
 - Prevent payments made under non-income driven repayment plans from being applied to PSLF to ensure that loan forgiveness is targeted to the students with the greatest need



Administration Initiatives



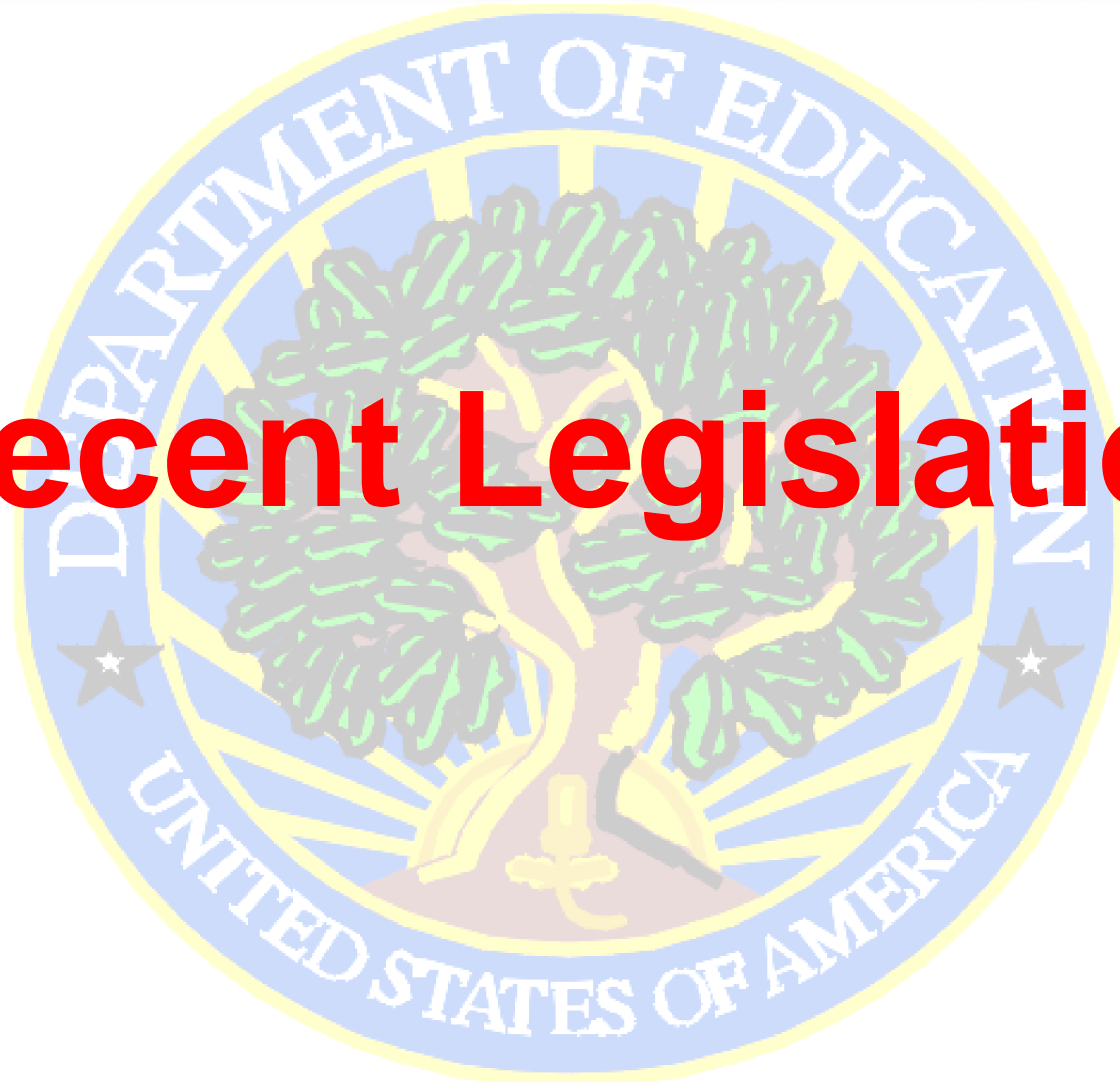
- The College Scorecard
 - User-centered design
 - Comprehensive and updated data on institutional performance metrics including:
 - Post-graduate earnings
 - Median cumulative loan debt
 - Repayment rates
 - Completion and transfer rates



- FAFSA® Changes for 2017-18
 - Students will be able to file a 2017-18 FAFSA® as early as October 1, 2016 (rather than January 1, 2017)
 - Students (and parents) will report income from an earlier tax year. For the 2017-18 FAFSA®, 2015 income information will be reported, rather than 2016 income information



Recent Legislation





- Federal Perkins Loan Program Extension Act of 2015 (The Extension Act)
 - Enacted on December 18, 2015
 - Extends the Perkins Loan program through September 30, 2017
 - Eliminates grandfathering of students after the new expiration date
 - Prohibits any further extensions of the Perkins Loan Program under GEPA



- The Extension Act
 - Schools may make Perkins Loans through Sept. 30, 2017 to an:
 - Eligible current undergrad student
 - Who **has** an outstanding balance on a Perkins Loan made by the school
 - If the school has awarded the student all Direct Subsidized Stafford Loan aid for which the student is eligible

Recent Legislation



- The Extension Act
 - Schools may make Perkins Loans through Sept. 30, 2017 to an:
 - Eligible new undergrad student
 - Who **does not have** an outstanding balance on a Perkins Loan made by the school
 - If the school has awarded the student all Direct Subsidized and Unsubsidized Stafford Loan aid for which the student is eligible



- The Extension Act
 - Schools may continue to make Perkins Loans through Sept. 30, 2016 to an eligible graduate student who has received a Perkins Loan before October 1, 2015

Recent Legislation



- The Extension Act
 - The graduate student must:
 - Have received his or her most recent Perkins Loan from the school for enrollment in an academic program at the school; and
 - The new Perkins Loan must enable the graduate student to continue or complete the academic program for which the student received his or her most recent Perkins Loan



- The Extension Act
 - If an eligible graduate student borrower receives a disbursement of a Perkins Loan after June 30, 2016, and before October 1, 2016, for the 2016-2017 award year, the student may receive any subsequent disbursements of that Perkins Loan through June 30, 2017



- The Extension Act
 - In addition to the disclosures currently required, schools must make additional disclosures to each Perkins borrower before making a first disbursement of a Perkins Loan



- The Extension Act
 - Schools must provide each Perkins borrower a notice and explanation:
 - Regarding the end of future availability of Perkins Loans
 - Of Direct Loan repayment and forgiveness benefits not available to Perkins Loans
 - Regarding the borrower's option to consolidate a Perkins Loan, and the benefits of consolidation



- The Extension Act
 - Schools must provide each Perkins borrower a notice and explanation:
 - Providing a comparison of Perkins Loan and Direct Loan interest rates
 - Informing the borrower that the borrower has reached the maximum annual borrowing limit for Direct Subsidized Stafford Loans (for current undergrads) or Direct Subsidized Stafford Loans and Direct Unsubsidized Stafford Loans (for new undergrads)



Regulatory Activity





- Teacher Preparation Negotiated Rulemaking Committee
 - Negotiations were held in November 2012
 - Consensus not reached
 - NPRM published on Dec. 3, 2014
 - Closing date for public comments: Feb. 2, 2015
 - Supplemental notice reopening comment on specific issues published on April 1, 2016



- Teacher Preparation Negotiated Rulemaking Committee
 - Supplemental notice requests comment on:
 - Reporting by States on teacher preparation programs provided through distance education
 - TEACH Grant eligibility requirements for teacher preparation programs provided through distance education
 - Due date for comments: May 2, 2016



- Program Integrity and Improvement (PII) Negotiated Rulemaking Committee
 - Four negotiations:
 - Feb. 19 - 21, March 26 - 28, April 23 – 25, May 19 – 20, 2014
 - Cash management
 - State authorization of distance ed programs
 - State authorization of foreign locations of domestic institutions
 - Definition of PLUS adverse credit history
 - Repeat coursework
 - Clock-to-credit hour conversion
 - Consensus not reached



- PII: PLUS “Adverse Credit History”
Definition
 - NPRM published on August 8, 2014
 - Final regulations published on Oct. 23, 2014, effective July 1, 2015, but designated for early implementation
 - New adverse credit history standards apply to all PLUS loan credit checks conducted on or after March 29, 2015
 - Enhanced PLUS loan counseling available as of March 29, 2015



- PII: Cash management, repeat coursework, and clock-to-credit hour conversion
 - NPRM published on May 18, 2015
 - Final regulations published on October 30, 2015



- Negotiated Rulemaking in FY 2015
 - Three negotiations:
 - Feb. 24 - 26, March 31 – April 2, April 28 – 30, 2014
 - Revised Pay As You Earn (REPAYE) repayment plan
 - Identifying servicemembers who qualify for lower interest rates under the SCRA
 - Treatment of DOD lump sum payments for Public Service Loan Forgiveness
 - CDR participation rate index challenges and appeals
 - Transition to servicing and technical corrections to loan rehabilitation regulations
 - Consensus reached



- Negotiated Rulemaking in FY 2015
 - NPRM published on July 9, 2015
 - Received nearly 3,000 comments
 - Final regulations published on October 30, 2015





- Negotiated Rulemaking in FY 2016
 - Federal Register Notice published August 20, 2015, proposed establishing a negotiating committee to develop regulations for determining which acts or omissions of a school a borrower may assert as a defense to repayment of a Direct Loan (“Borrower Defenses”), and the consequences of such borrower defenses for borrowers, schools, and ED



- Negotiated Rulemaking in FY 2016
 - The committee would address:
 - Procedures for a borrower to establish a defense against repayment
 - Criteria ED will use to identify acts or omissions by a school
 - Standards and procedures ED will use to determine liability of a school
 - Effect of borrower defenses on institutional capability assessments



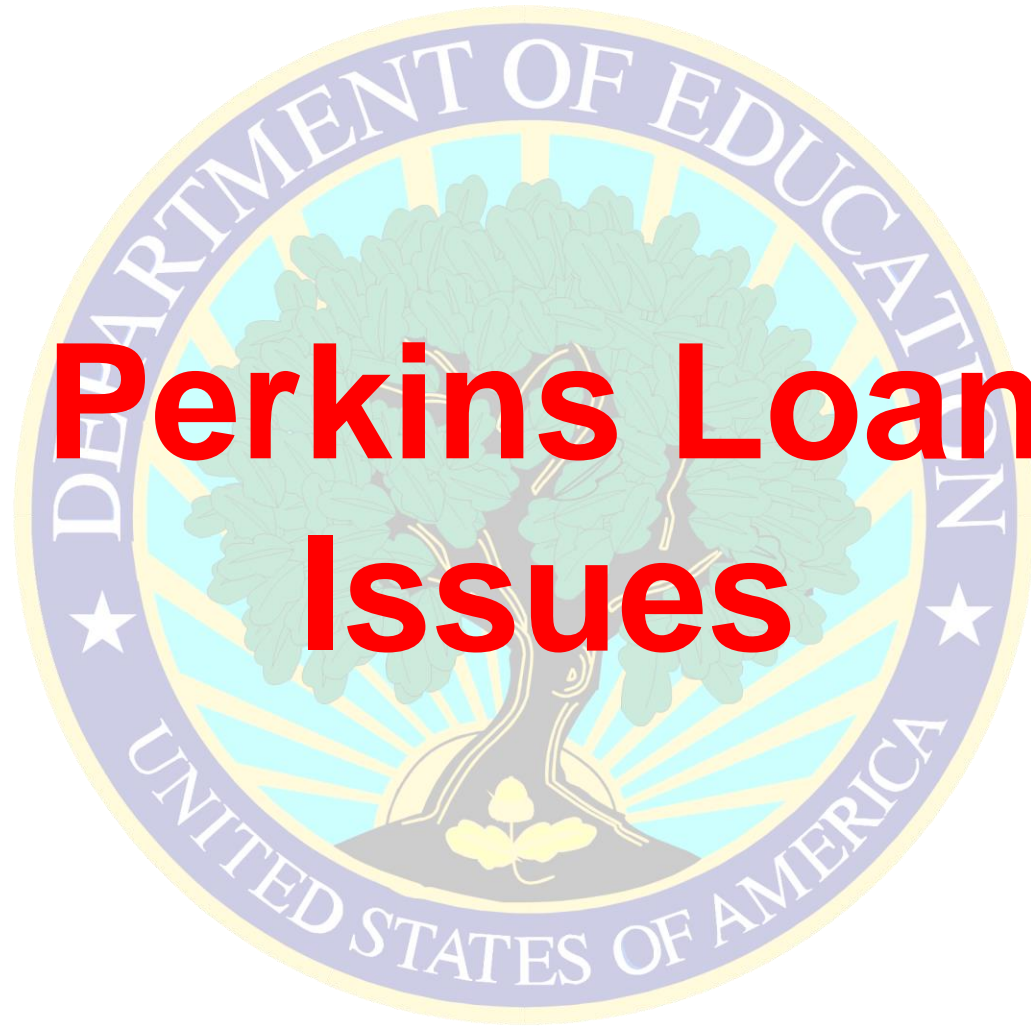
- Negotiated Rulemaking in FY 2016
 - Negotiating committee held three negotiating sessions:
 - Jan 12 – 14, 2016
 - Feb 17 – 19, 2016
 - March 16 -18, 2016



- Negotiated Rulemaking in FY 2016
 - Topics for negotiation:
 - Borrower defenses
 - False certification discharges
 - Financial responsibility
 - Electronic death certificates
 - Nurse Faculty Loan consolidation
 - Prohibiting interest capitalization upon loan rehabilitation



- Negotiated Rulemaking in FY 2016
 - Topics for negotiation:
 - Technical corrections to PAYE and REPAYE regulations
 - Closed school discharges
 - Authority of ED to compromise, suspend, and terminate collection of debts
 - Committee did not reach consensus



Perkins Loan Issues





- DCL GEN 16-05 (Authority to Make New Perkins Loans Under The Extension Act)
 - An undergraduate student awarded a Direct Sub or Unsub loan can decline one or both loans (or request a lesser amount)
 - The student's Direct Loan eligibility amounts must be included in the calculation of the undergraduate student's Perkins Loan amount, regardless of whether they borrow the full amount



- DCL GEN 16-05
 - If a Perkins Loan is consolidated, it is paid in full by the Consolidation Loan. An undergraduate student who consolidated his or her Perkins Loan does not have an outstanding balance on a Perkins Loan, and is therefore treated as a new undergraduate student



- **DCL GEN 16-05**
 - If an eligible undergraduate student borrower receives a disbursement of a Perkins Loan after June 30, 2017 and before October 1, 2017 for the 2017-2018 award year, the student may receive any subsequent disbursements of that Perkins Loan



- DCL GEN 16-05
 - A graduate student is considered to be continuing or completing the academic program for which the student received his or her most recent Perkins Loan only if the first 4 digits of the programs CIP code are identical to the first 4 digits of the academic program for which the borrower received the most recent Perkins Loan



- DCL GEN 16-05
 - In the case of graduate programs with different degree objectives, a graduate student meets the eligibility requirement if the graduate student received his or her most recent Perkins Loan for enrollment in a program with one degree objective, and then enrolled in a program with the same CIP code but a different degree objective



- DCL GEN 16-05 (OMB Approval of New Perkins Master Promissory Note)
 - Expiration date of new MPN: Sept. 30, 2018
 - No substantive changes from the MPN with the Sept. 30, 2015 expiration date
 - Only the new MPN may be distributed to borrowers on or after January 1, 2016.
 - If a borrower signed the prior MPN, it remains valid



- Excess Liquid Capital (ELC)
 - ED estimates the amount of ELC in schools' Funds, based on FISAP reporting
 - Schools must remove the institutional share of ELC from the Fund
 - Federal share of ELC must be returned to ED
 - Deadline for returning ELC was December 31, 2015
 - If a school missed the deadline, it must have returned ELC by February 15, 2016



- Perkins Loan Assignment
 - The Perkins Loan Assignment System (PLAS) allows authenticated users to:
 - Submit multiple loans as a batch file, or submit individual loans
 - Upload supporting documentation (prom notes, payment histories, etc.)
 - Search, view and edit submitted assignment information
 - View reports of Perkins loans accepted or rejected for assignment



- Perkins Loan Assignment
 - Sept. 21, 2015 Electronic Announcement announced the availability of PLAS and provides:
 - PLAS Overview
 - PLAS User Access Form
 - PLAS User Guide



- Perkins Loan Assignment
 - March 14, 2016 Electronic Announcement streamlined supporting documentation requirements for Perkins assignments
 - March 20, 2016 Electronic Announcement announced availability of the Perkins Loan Assignment and Liquidation Guide on IFAP



- Perkins Liquidation
 - Schools are now required to use the on-line Perkins Liquidation Module in the eCB System to notify ED of their intent to liquidate and to begin the liquidation process



- Perkins Liquidation
 - The Perkins Liquidation Module:
 - Calculates the Federal and Institutional shares of remaining cash in the Fund
 - Posts the Federal share amount owed to the school's self-service page
 - Once the Federal share has been received, receives final FISAP data submitted by the school



- Deferment Forms
 - The Military Service Deferment form was the only combined DL/FFEL/Perkins deferment form
 - ED has developed additional combined deferment forms



- Deferment Forms
 - The new DL/FFEL/Perkins deferment forms cover:
 - In-school deferments
 - Graduate fellowship and rehabilitation training program deferments
 - Economic hardship deferments
 - Unemployment deferments



- Deferment Forms
 - OMB-approved deferment forms posted to IFAP on January 29, 2016 (DCL GEN-16-02)
 - Expiration date for forms: 9/30/2018



- Forbearance Form
 - OMB-approved General Forbearance Request Form for the DL, Perkins, and FFEL programs posted to IFAP on March 11, 2016 (DCL GEN-16-06)
 - Expiration date for forbearance form: 2/28/2019



Dear Colleague Letters and Electronic Announcements

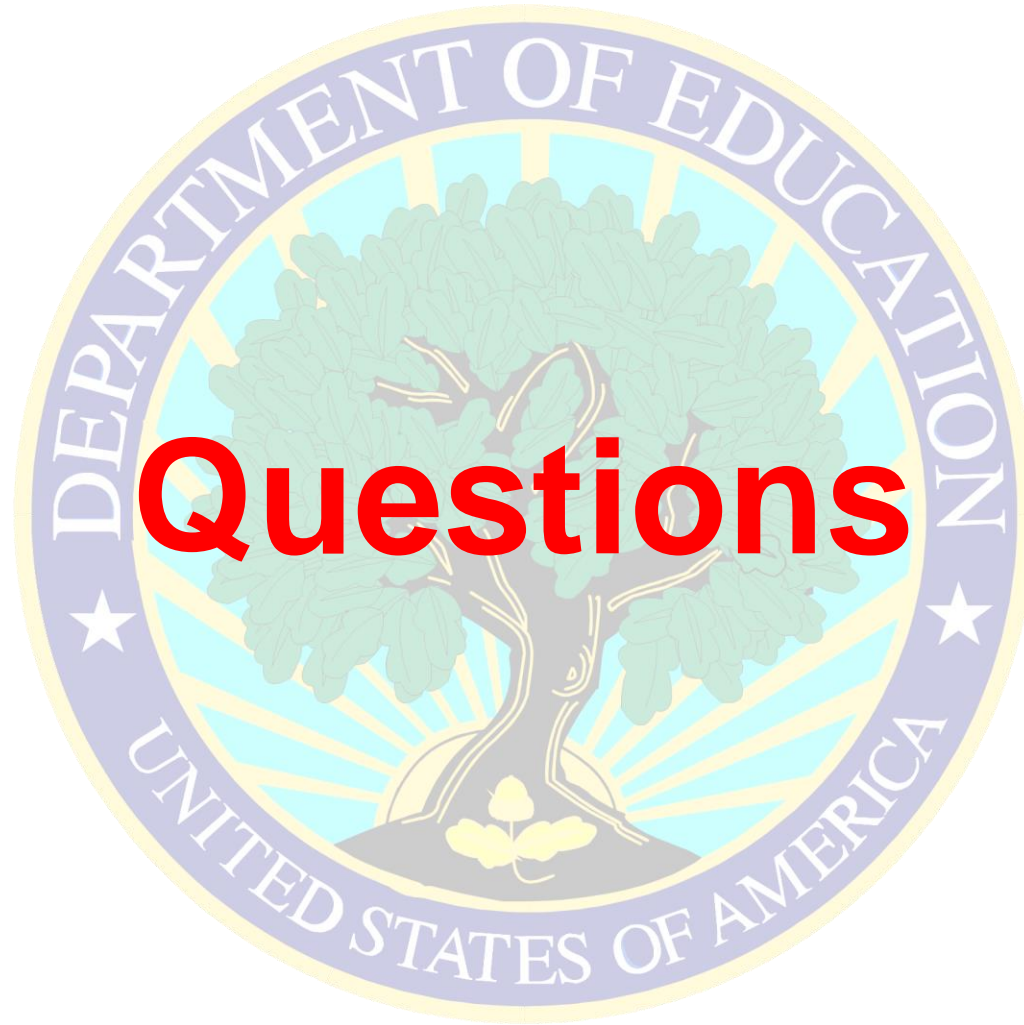




- Provides information that supplements the 2017-18 award year verification information provided in the April 1, 2016 Federal Register notice (GEN-16-07)
 - Published April 5, 2016



- 2014-15 Perkins Cancellation Reimbursement Calculations
 - Published April 22, 2016
- 2016-17 Final Funding Authorizations for the Campus-Based Programs
 - Published March 22, 2016
- Draft 2017-18 FISAP, Instructions and Technical Reference
 - Published March 22, 2016



Questions



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