



Department of Education Update

Second Alliance, Inc. Cruisin' to Collections

Brian Smith

U. S. Department of Education

July 12th, 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



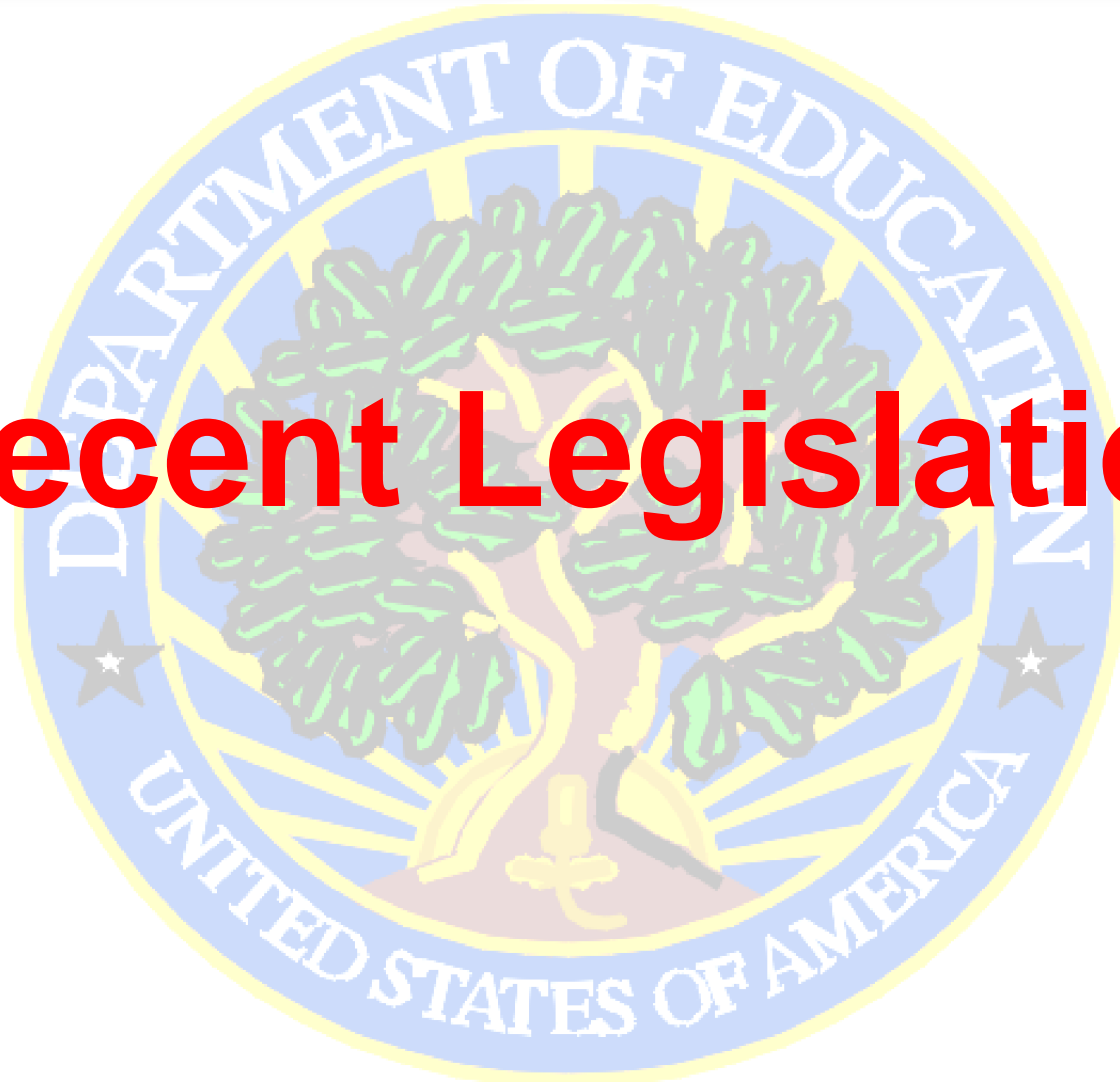
- The College Scorecard
 - User-centered design
 - Comprehensive and updated data on institutional performance metrics including:
 - Post-graduate earnings
 - Median cumulative loan debt
 - Repayment rates
 - Completion and transfer rates



- 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
 - 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



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 requested 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
 - Final regulations published on Oct. 23, 2014, effective July 1, 2015, but designated for early implementation
- PII: Cash management, repeat coursework, and clock-to-credit hour conversion
 - Final regulations published on October 30, 2015, effective July 1, 2016



- 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
 - 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



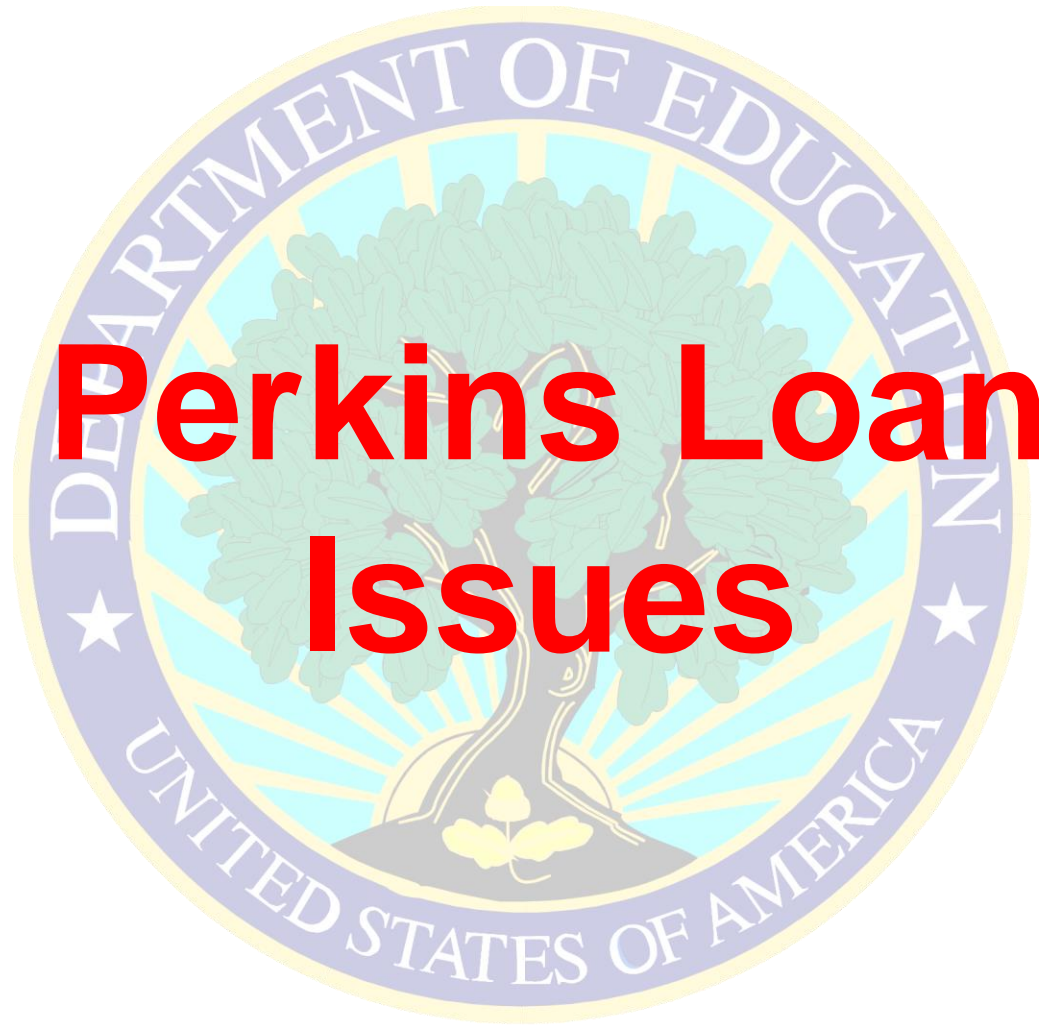
- Negotiated Rulemaking in FY 2016
 - Topics for negotiation:
 - Borrower defenses
 - False certification discharges
 - Financial responsibility
 - Electronic death certificates
 - Nurse Faculty Loan consolidation
 - Prohibiting interest capitalization upon loan rehabilitation



- 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



- Negotiated Rulemaking in FY 2016
 - NPRM published on June 16, 2016
 - Due date for comments: August 1, 2016





- Undergraduate Students
 - Institutions may make Perkins Loans through September 30, 2017 to an:
 - Eligible **current** undergraduate student
 - Who **has** an outstanding balance on a Perkins Loan made by the institution
 - If the institution has awarded the student all Direct Subsidized Loan aid for which the student is eligible



- Undergraduate Students
 - Institutions may make Perkins Loans through September 30, 2017 to an:
 - Eligible **new** undergraduate student
 - Who **does not have** an outstanding balance on a Perkins Loan made by the institution
 - If the institution has awarded the student all Direct Subsidized and Unsubsidized Loan aid for which the student is eligible



- Undergraduate Students
 - An undergraduate student who consolidated his or her Perkins Loan is treated as a new undergraduate student.



- Undergraduate Students
 - If a student awarded a Direct Subsidized or Unsubsidized Loan declines one or both loans, the student's Direct Loan eligibility amounts must be included in the calculation of the undergraduate student's Perkins Loan amount.



- Undergraduate Students
 - If a student receives a disbursement of a Perkins Loan after June 30, 2017 and before October 1, 2017 for the 2017-18 award year, the student may receive any subsequent disbursements of that Perkins Loan.



- Graduate Students
 - Institutions may make Perkins Loans through September 30, 2016 to an eligible graduate student who has received a Perkins Loan before October 1, 2015.



- Graduate Students
 - The graduate student must:
 - Have received their most recent Perkins Loan from the institution for enrollment in an academic program at the institution; and
 - The new Perkins Loan must enable the graduate student to continue or complete the academic program for which the student received the most recent Perkins Loan



- Graduate Students
 - If an eligible graduate student receives a disbursement of a Perkins Loan after June 30, 2016 and before October 1, 2016 for the 2016-17 award year, the student may receive any subsequent disbursements of that Perkins Loan through June 30, 2017.



- Graduate Students
 - 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 CIP code are identical to the first 4 CIP code digits of the academic program for which the borrower received the most recent Perkins Loan.



- Graduate Students
 - In the case of graduate programs with different degree objectives, a graduate student meets the eligibility criteria 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.



- Disclosures
 - Institutions must provide additional disclosures:
 - Regarding the end of future availability of Perkins Loans
 - Regarding Direct Loan repayment and forgiveness benefits not available to Perkins Loans
 - Regarding the borrower's option to consolidate a Perkins Loan, and benefits of consolidation



- Disclosures (continued)
 - Providing a comparison of Perkins Loan and Direct Loan interest rates
 - Informing the borrower that the borrower has reached the maximum annual Direct Subsidized borrowing limit or Direct Subsidized and Unsubsidized borrowing limit



- Redesigned Campus-Based processing page on IFAP at:

<http://www.ifap.ed.gov/ifap/cbp.jsp>

- Perkins Questions and Answers posted to IFAP at:

<http://www.ifap.ed.gov/cbp/PerkinsFAQ.html>



- Deferment Forms
 - OMB recently approved DL/FFEL/Perkins deferment forms for:
 - In-school
 - Graduate fellowship
 - Rehabilitation training program
 - Economic hardship
 - Unemployment



- Deferment Forms
 - Revised Military Service Deferment form is currently in the OMB-forms clearance process:
 - Notice inviting comment on revised form published in the Federal Register on June 22, 2016
 - Due date for comments: August 22, 2016



- Forbearance Forms
 - Combined DL/FFEL/Perkins forms for:
 - Mandatory Forbearance Request (student loan debt burden)
 - General Forbearance Request (other acceptable reasons)



- Master Promissory Note
 - 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



Dear Colleague Letters and Electronic Announcements



- Protecting Student Information
(GEN-16-12)
 - Published July 1, 2016



- FY 2017 Sequester Required Changes to the Title IV Student Aid Programs (GEN-16-11)
 - Published May 31, 2016



- Receiving Title IV Aid for Teacher Certification Programs
(GEN-16-10)
 - Published May 11, 2016



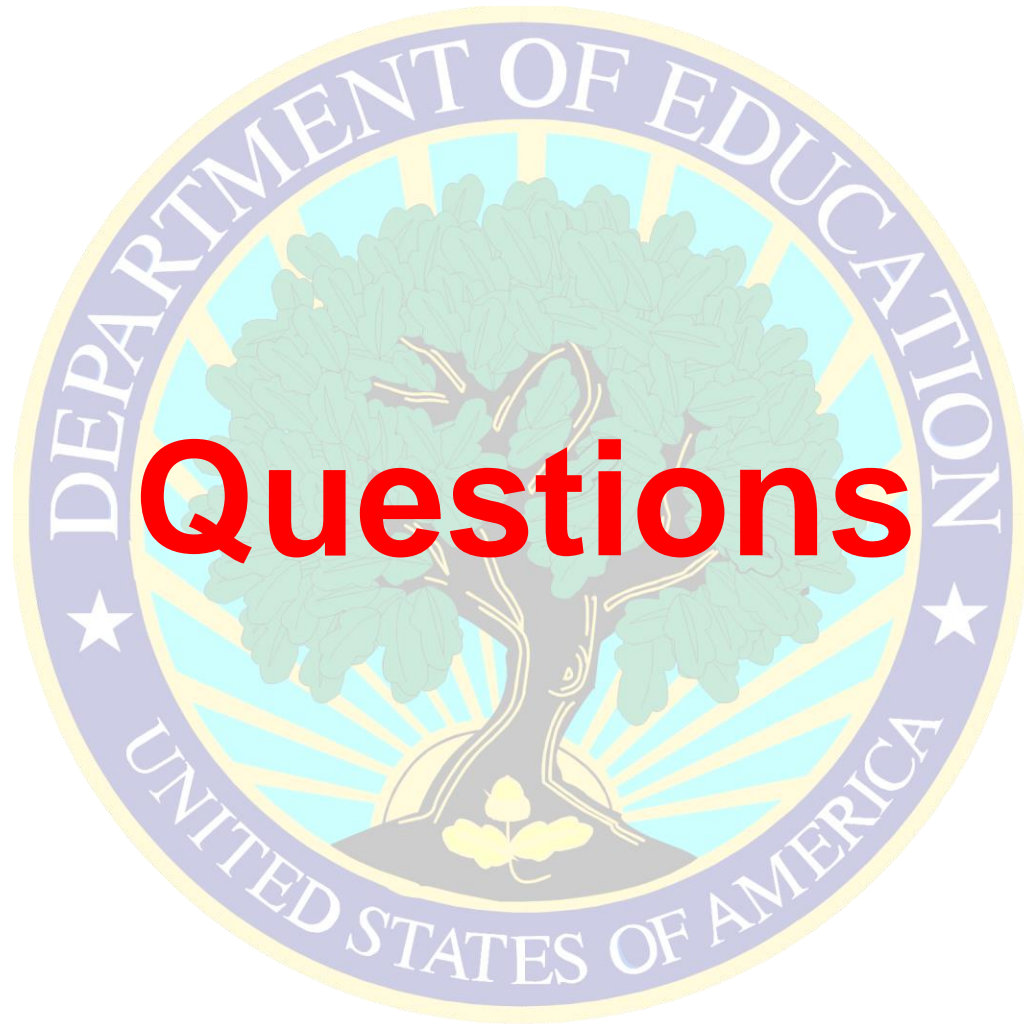
- Changes to Title IV Eligibility for Students Without a Valid High School Diploma Who Are Enrolled in Eligible Career Pathway Programs

(GEN-16-09)

– Published May 9, 2016



- eCampus Based Electronic Signature Reminder
 - Published July 6, 2016
- Perkins Loan Program—Excess Liquid Capital Process Change
 - Published June 24, 2016
- Final FISAP Form, Instructions and Technical Reference
 - Published June 16, 2016
(updated June 28th)



Questions

CONTACT INFORMATION



Gail McLarnon

Office of Postsecondary Education

202-453-6624

Gail.Mclarnon@ed.gov

Brian Smith

Office of Postsecondary Education

202-453-7440

Brian.Smith@ed.gov