



Cruisin' to Collections Student Financial Services Compliance and Strategy

Conference

2018

Pre-Conference Webinar

11:00am Pacific Time

Department of Education Update

Brian Smith

July 5th, 2018

Agenda



- Regulatory Reform Agenda
 - Regulatory Review Task Force
 - Elimination of Outdated Guidance
- Borrower Defense to Repayment
- Gainful Employment
- Perkins Wind-Down
- Perkins Liquidation
- Year-Round Pell



Regulatory Reform Agenda



- Executive Order on Regulatory Review
 - On February 24, 2017, the President signed Executive Order 13777 to reduce regulatory burdens on the American people through regulatory reform
 - ED created a Regulatory Reform Task Force (RRTF) to review regulatory and sub-regulatory guidance throughout the Department

Regulatory Reform Agenda



- The RRTF is identifying regulations that:
 - Eliminate jobs or inhibit job creation
 - Are outdated, unnecessary, or ineffective
 - Impose costs that exceed benefits
 - Create a serious inconsistency or otherwise interfere with regulatory reform initiatives and policies



Public hearings on postsecondary regulatory relief:

- September 26, 2017 – Salt Lake Community College
- October 4, 2017 – U.S. Department of Education

Received comments on a broad range of issues including financial aid regulations and Title IX guidance

Regulatory Reform Agenda



- Elimination of outdated guidance
- Formation of two negotiated rulemaking committees—
 - Borrower Defense to Repayment (BDTR)
 - Gainful Employment

Borrower Defense to Repayment

- On November 1, 2016, the Department published final regulations that were scheduled to take effect on July 1, 2017. The final regulations:
 - Created a new Federal standard for BDTR
 - Prohibited mandatory arbitration clauses
 - Required repayment rate disclosures under some circumstances
 - Provided for automatic closed school discharges
 - Updated false certification discharge regulations

Borrower Defense to Repayment

The Department published three delay notices—

- June 16, 2017:
 - A Final Rule that delayed the effective date of selected provisions of the final regulations until July 1, 2018, due to pending litigation
- October 24, 2017:
 - An Interim Final Rule further delaying the effective date of selected provisions of the final regulations until July 1, 2019
- February 14, 2018:
 - An final rule further delaying the effective date of selected provisions of the final regulations until July 1, 2019

Borrower Defense to Repayment



- The Department did not delay provisions in the BDTR regulations relating to:
 - Documentation for discharges for death
 - Consolidation of Nursing Student Loans and Nurse Faculty Loans
 - Elimination of the requirement that a borrower must have at least one Direct Loan or FFEL loan to consolidate
 - Severability

Borrower Defense to Repayment

- The Department formed a Committee to negotiate the following issues:
 - Federal Standard for BDTR
 - BDTR Process
 - Limited Aspects of Financial Responsibility and Administrative Capability
 - Pre-dispute Arbitration Agreements, Class Action Waivers, and Internal Dispute Processes
 - Closed School Discharges
 - False Certification Discharges
 - Guaranty Agency Collection Fees
 - Subsidized Usage Period Recalculation

Financial Responsibility Subcommittee

- Formed to consider issues relating to recent changes to the Financial Accounting Standards Board (FASB) standards



- The committee met:
 - Session 1: November 13-15, 2017
 - Session 2: January 8-11, 2018
 - Session 3: February 12-15, 2018

Gainful Employment



On October 31, 2014, the Department published final GE regulations that went into effect on July 1, 2015

These regulations:

- Establish a debt-to-earnings rate measure to determine whether a GE program prepares students for gainful employment in a recognized occupation
- Require institutions to report information about students who enrolled in each of the institutions' GE programs
- Require institutions to establish the eligibility of a GE program by certifying that the program:
 - *Is included in the institution's certification*
 - *Satisfies applicable state licensing/certification requirements for the occupations the program prepares students to enter*

Gainful Employment



The Department published three notices allowing additional time to comply with certain GE requirements—

- March 10, 2017:
 - Allowed schools until July 1, 2017 to submit an alternate earnings appeal and comply with GE disclosure requirements
- July 5, 2017:
 - Allowed schools until July 1, 2018 to submit alternate earnings appeals and comply with GE disclosure requirements
- June 18, 2018:
 - Allows schools until July 1, 2019 to comply with GE disclosure requirements

Gainful Employment



A negotiated rulemaking committee was formed to consider the Gainful Employment rules, and the committee met:

- Session 1: December 4-7, 2017
- Session 2: February 5-8, 2018
- Session 3: March 12-15, 2018



Federal Perkins Loan Program Extension Act of 2015

- Enacted on December 18, 2015
- Extended the Perkins Loan program through September 30, 2017
- Eliminated grandfathering of students after the new expiration date
- Prohibits any further extensions of the Perkins Loan Program under GEPA



Key Dates

- Schools may not award Perkins Loans to graduate students after **September 30, 2016**
- Schools may not make subsequent disbursements to graduate students after **June 30, 2017**
- Schools may not award Perkins Loans to undergraduates after **September 30, 2017**
- Schools may not make subsequent disbursements to undergraduates after **June 30, 2018**



DCL GEN-17-10 (posted October 6, 2017)

- ED will begin collecting Federal share of schools' revolving funds after submission of the 2019-2020 FISAP
- Schools are not required to liquidate their Perkins Loan portfolios
- If a school chooses to liquidate, it should submit the school's intent to liquidate through the eCB system



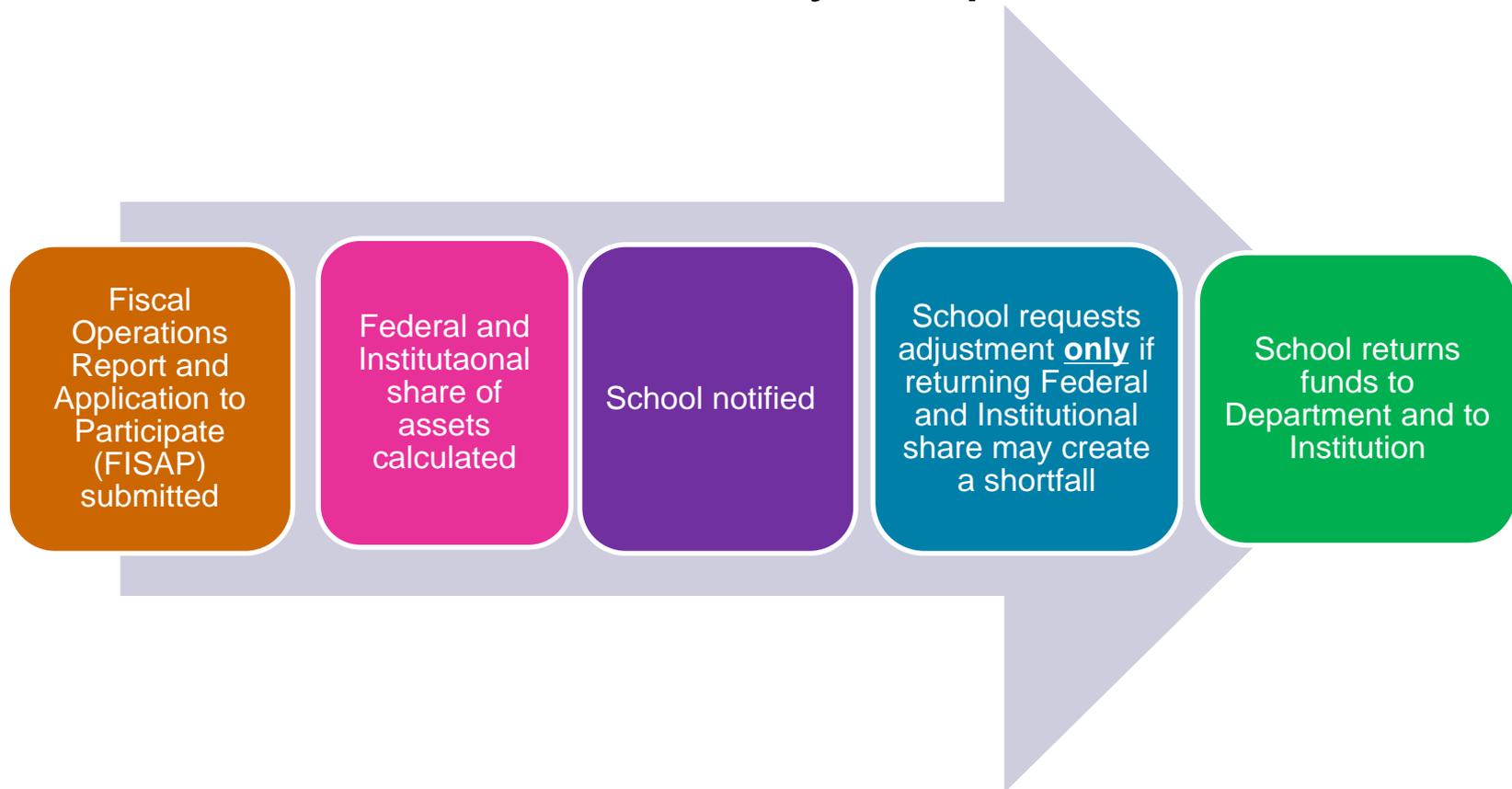
- Distribution of Assets—
 - The Extension Act requires schools to return to the Department the Federal share of the institution's Perkins Loan Revolving Fund
 - The Department will begin collecting the Federal share of schools' Perkins Funds **after October 1, 2018**



- Distribution of Assets—
 - The Distribution of Assets process will replace the ELC process
 - **Do not** return funds to the Department until after you have received a Distribution of Assets notification from the Department

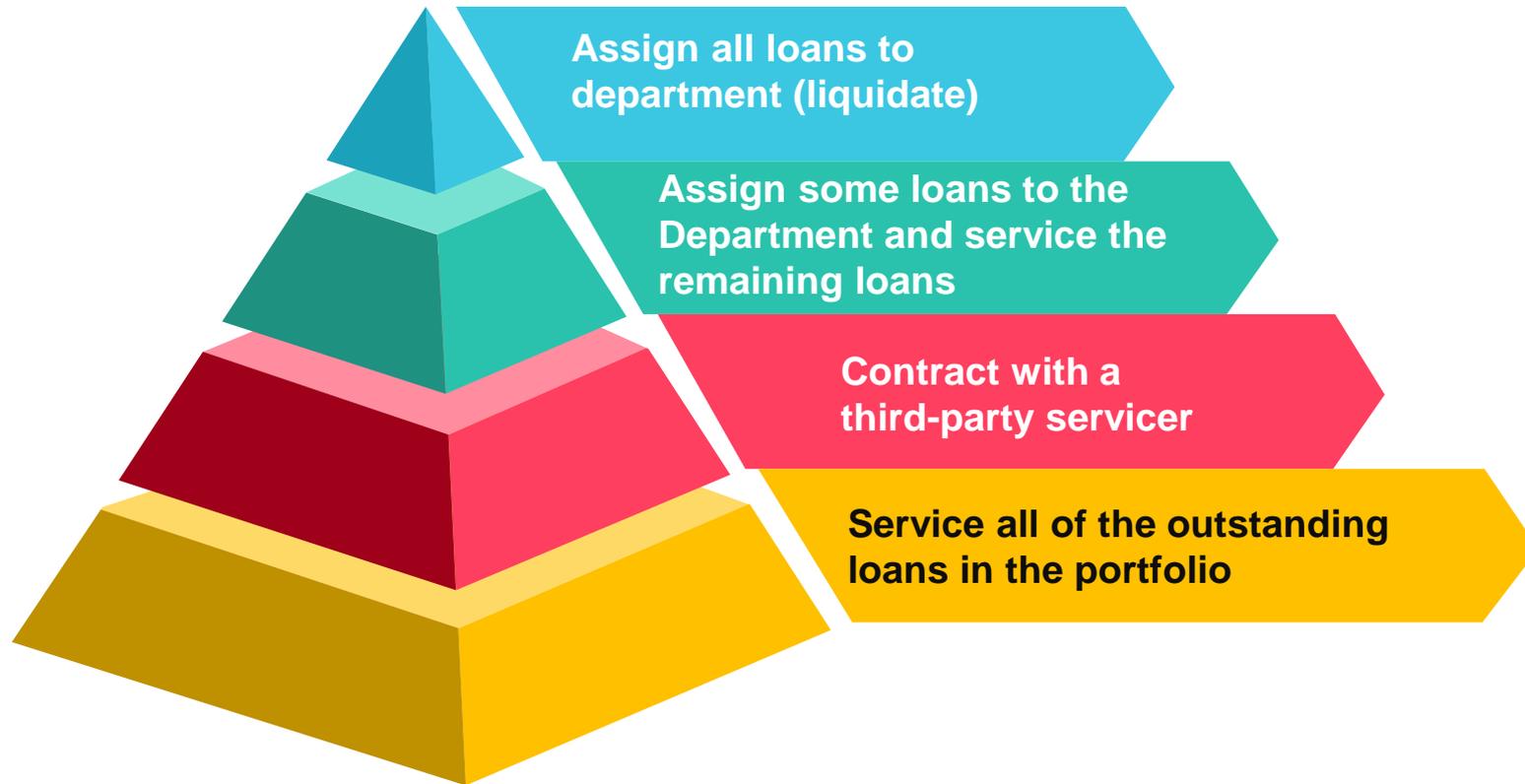


Distribution of Assets: Key Steps





A school has four servicing options:



Perkins Wind-down



Loans must be serviced in accordance with 674, Subpart C - Due Diligence, and all Perkins regulatory and statutory requirements



Perkins Wind-down



The school must ensure that the third-party servicer services the loans in accordance with 674, Subpart C - Due Diligence, and all Perkins regulatory and statutory requirements



Perkins Wind-down

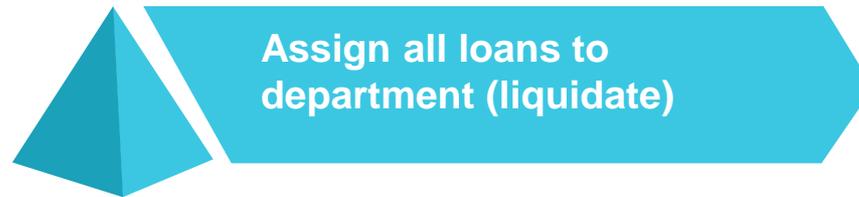


- When an institution assigns a loan to the Department, the institution:
 - Transfers all rights and responsibility on the loan to the Department
 - Relinquishes its rights to any share of any collections by the Department
 - Is relieved of incurring any additional expenses in collecting the loan
 - Is not reimbursed for any amounts collected on the loan by the Department





- Institutions are not required to assign Perkins Loans to the Department
- Institutions may assign both non-defaulted and defaulted Perkins Loans, to the Department at any time



Assign all loans to
department (liquidate)

- The process through which a school ends participation in the Federal Perkins Loan Program.
- During this process a school liquidates—
 - All outstanding Federal Perkins Loans, (National Direct Loans and National Defense Loans) in the school's portfolio; and
 - The Perkins revolving fund



- All loans must be properly accounted for and updated in NSLDS
- The status of all loans must be:
 - Fully retired (e.g., paid in full, discharged, cancelled),
 - Purchased by the school, or
 - Accepted for assignment by the Department and properly transferred to the Department

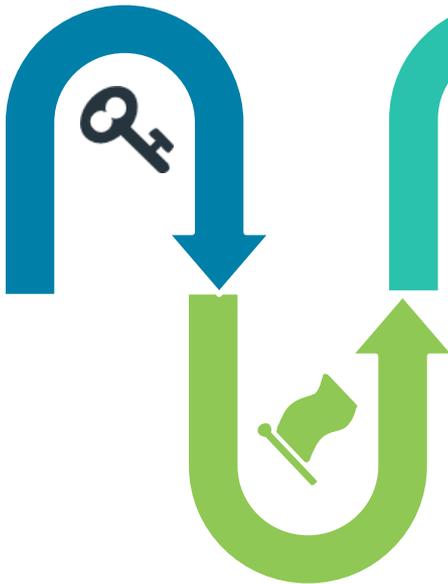


- A school's Perkins Loan portfolio and its Revolving Fund is not considered liquidated and closed out until the school has received an official letter of completion from the Department

Liquidation



Notify ED of
Intent to
Liquidate -
electronically



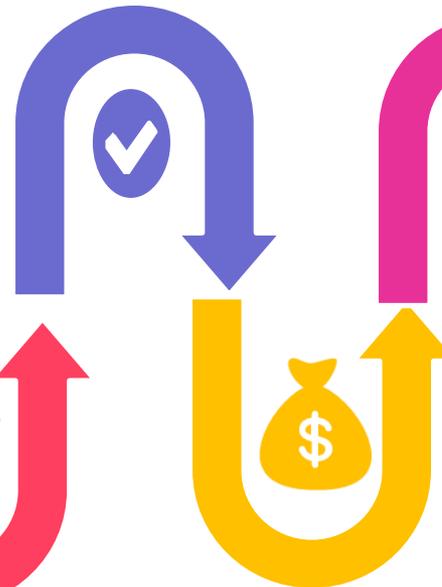
Notify
Borrowers

Assign Loans



Purchase Loans
that can't be
Assigned, if
necessary

Complete
Closeout Audit



Remit Federal
Share

Final FISAP
Data



Year-Round Pell



Under the Consolidated Appropriations Act of 2017, a student may now receive Pell Grant funds up to 150% of the Scheduled Award in an award year

- 1st 100% is initial scheduled Pell award
- Final 50% is considered the additional Pell award (YRP)

Effective with the 2017-2018 award year

- Does not apply to summer 2017 if it is treated as a trailer to the 2016-2017 award year

Technical information – Electronic Announcement: June 20, 2017

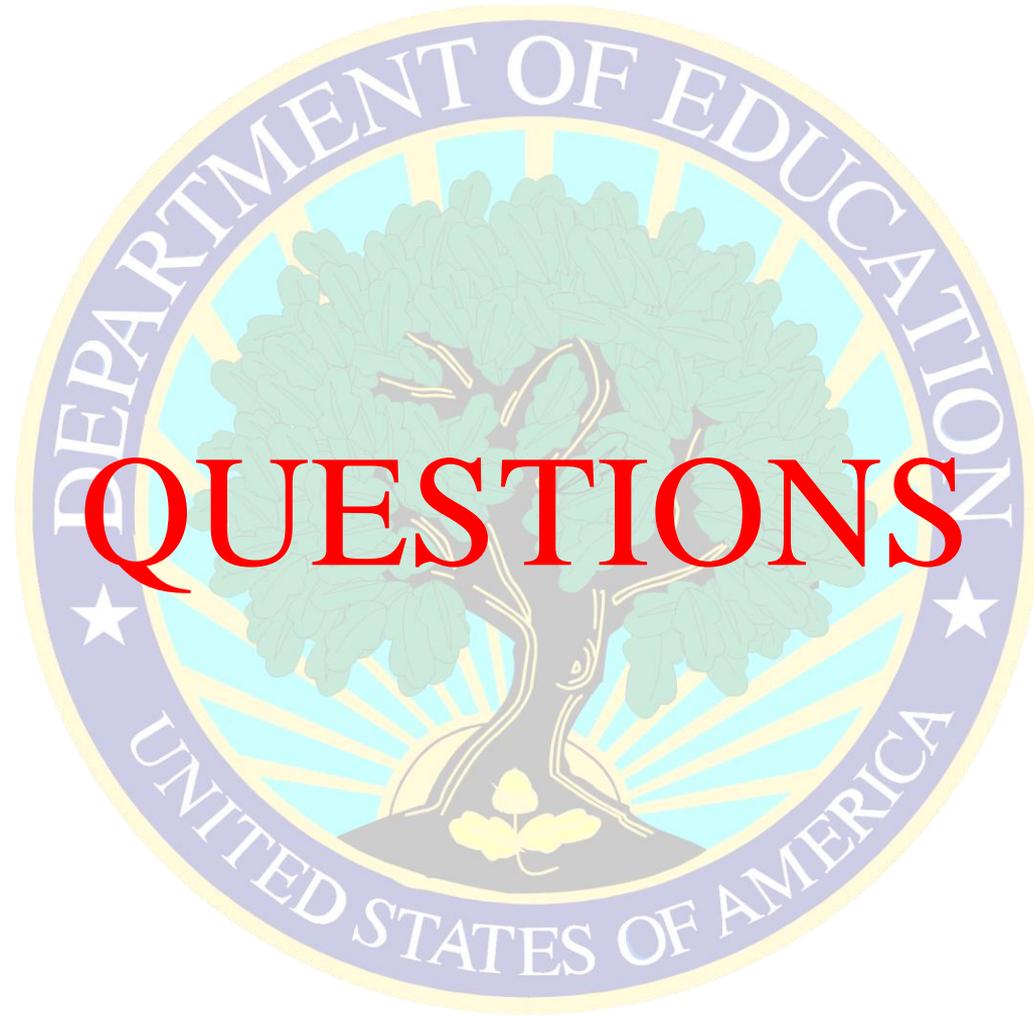


Student must be enrolled at least half-time in the payment period(s) for which s/he receives the additional Pell Grant funds (additional 50%)

- Dropping below half-time enrollment after Pell is disbursed will not render the student ineligible

Pell calculations and formulas remain unchanged

The additional Pell Grant funds will be reflected in the student's 600% maximum Pell Lifetime Eligibility Used (LEU)



QUESTIONS





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