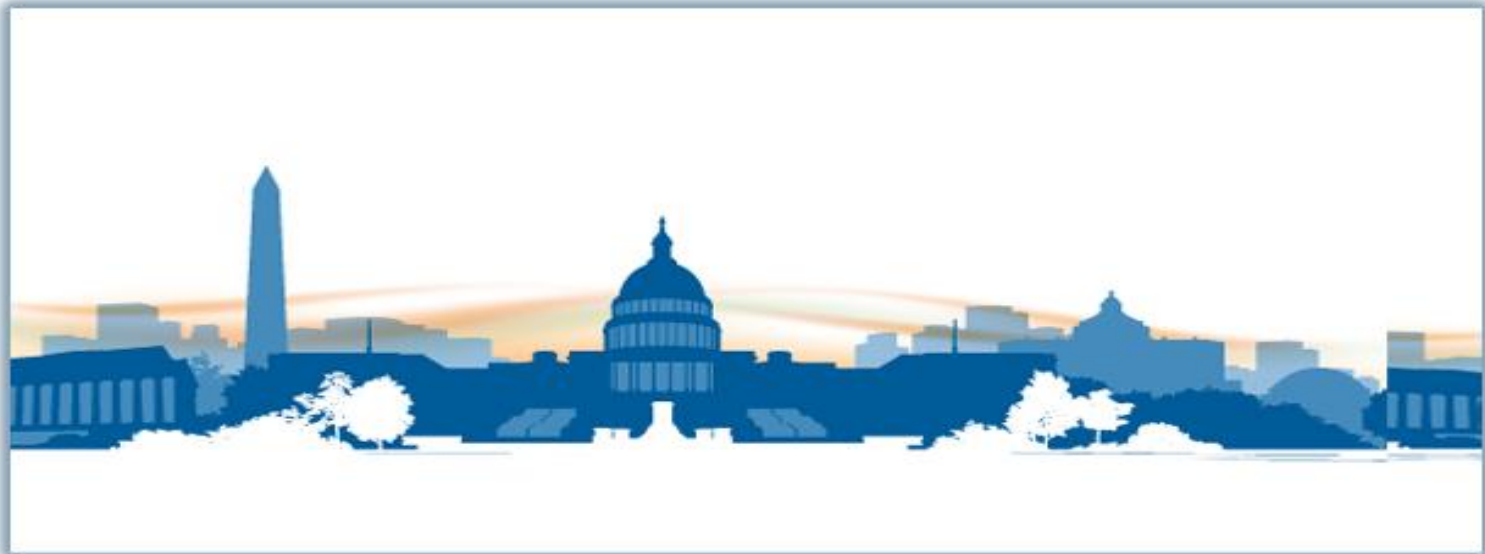


The National Association of Student Financial Aid Administrators



Federal Update

Agenda

- NASFAA On the Hill:
 - Impact of government shutdown
 - President Obama's College Affordability Plan
 - Cohort Default Rates
 - Interest Rates
 - 150 percent sub loan limitation
- NASFAA Proactive Policy
 - Task Force on Student Loan Indebtedness
 - Reauthorization Task Force
 - Award Notification and Consumer Information Task Force
 - Testing of Award Letters

Impact of Government Shutdown

- Minimal impact on student aid (for now)
- Big concern was over the interaction with IRS databases (DRT and transcript retrieval), but this seems to be okay
- Schools running into challenges in reporting campus safety and IPEDs information
- Second round of gainful employment negotiated rulemaking cancelled

President Obama's College Affordability Plan

- Plan announced in late August
- Three part:
 - Paying for performance
 - Promoting innovation and completion
 - Ensuring that student debt remains affordable
- Key Feature:
 - Prior to 2015 award year, develop a “college ratings system” that would “compare colleges with similar backgrounds as well as colleges that are improving their performance.” ED would be directed to involve key stakeholders in developing the metrics and to include measures related to access, affordability and outcomes
 - The intent is that by 2018 an institution's rating would be used to determine the amount of student aid they receive

President Obama's College Affordability Plan

- Other features of plan:
 - “Race to the Top” for higher ed
 - Reward colleges with a Pell “bonus”
 - Strengthen Satisfactory Academic Progress (SAP)
 - Encourage innovation in learning models (MOOCS, Prior Learning Assessment, Competency-based Learning)
 - Make all borrowers eligible for Pay As You Earn (PAYE) & launch a campaign to raise awareness about eligibility and enrollment

President Obama's College Affordability Plan

- Odds of Implementation: Some features of the president's plan would require congressional action, while others would not
- No Congressional Action Needed:
 - Development of "ratings list"
 - Campaign to enroll more students into PAYE
- Congressional Action Needed:
 - Coupling a school's rating to student aid eligibility
 - The parts of the proposal that would require new funding or make changes to current programs

Cohort Default Rates

- Two year average rate rose from 9.1 to 10%
 - Public: 9.6%
 - Private not-for-profit: 5.2%
 - For-profit: 13.6%
 - Community College: 15%
- Three year average rate rose from 13.4 to 14.7%
 - Public: 13%
 - Private not-for-profit: 8.2%
 - For-profit: 21.8%
 - Community College 20.9%

Student Loan Interest Rates

- Signed into law early August
- Interest rates tied to market-rates (T-bill plus add-ons)
- Variable-fixed
- Impacts all borrowers. New rates:
 - Undergrad (sub and unsub) loans: 3.86%
 - Graduate unsub: 5.41%
 - PLUS: 6.41%
- Caps included in law: 8.25; 9.5; 10.5

150 Percent Sub Loan Limitation

Moving Ahead for Progress in the 21st Century Act (MAP-21), aka “Highway Bill”

- Enacted July 6, 2012
- Extended the 3.4% interest rate for subsidized loans until July 1, 2013
- Established a time limit for subsidized loan eligibility for new borrowers on or after July 1, 2013
- Waived master calendar and negotiated rulemaking requirements

150 Percent Sub Loan Limitation

Interim Final Rules

- Published May 16, 2013
- Comment period until July 1, 2013

150 Percent Sub Loan Limitation

CPS

- Inform school of first-time borrower and progress
- Inform first-time borrowers that there's a limit

COD

- Determine who is first-time borrower
- Do eligibility calculations
- Reject loans for ineligible borrowers
- Inform schools

NSLDS

- Determine eligibility for interest subsidy

Loan Servicers

- Communicate with borrower when responsible for accruing interest
- Stop interest subsidy

150 Percent Sub Loan Limitation

School Responsibilities

- Reporting, reporting, and more reporting to NSLDS and COD
- Updating your loan counseling, if you don't use ED-provided counseling
- Updating loan periods and loan's academic year in COD when required
- Most challenging: explaining this to students when they have questions!

150 Percent Sub Loan Limitation

- Definition of first-time borrower: has no outstanding balance on a FFEL or Direct Loan when receiving a new Direct Loan on or after July 1, 2013
- Example 1: student who has never borrowed before and receives a Direct Loan on or after 7/1/13
- Example 2: student with outstanding balance on DL pays off balance on or after 7/1/13, and later receives a new DL
- **Only first-time borrowers are subject to 150% rules**



Why is Proactive Policy Important?

Proactive Policy

- Reauthorization Task Force
- Task Force on Student Loan Indebtedness
- RADD
- Award Letter & Consumer Notification Task Force
- Award Letter Consumer Testing

Reauthorization

- Higher Education Act reauthorization *should* occur in 2014; but that is very unlikely
 - The process will definitely start, but there may not be a final bill
- NASFAA's Reauthorization Task Force submitted recommendations to House and Senate Ed Committees
- RTF divided work into the following subgroups:
 - General Provisions
 - Need Analysis
 - Loans
 - Pell Grant
 - R2T4
 - Campus-based
 - Consumer Information

Reauthorization

NASFAA Predictions on Reauthorization:

- Focus on:
 - Loans
 - Innovative learning (MOOCs, Prior-Learning Assessment, Competency-based learning)
 - Consumer information

Task Force on Student Loan Indebtedness

- Authority for administrators to limit loan amounts
- Consider ways to better target loan subsidies
- Separate out Parent PLUS & Grad PLUS
- ED should create a single web portal where all students can go
- Incorporate Entrance and Exit Counseling into the FACT tool
- Consider regulatory burden of PLLs

RADD

- Pell Well
- Tie a portion of campus-based aid to institutional outcomes (input-based)
- Student loan eligibility index
- Limiting loan amounts

Task Force on Consumer Info and Award Notification

1. Include 10 core elements:

- Cost of Attendance
- Scholarship & Grant Awards
- Net Costs After Gift Aid
- Self-Help Options
- Assumptions (enrollment status; housing, etc.)
- Link to Total Debt Aggregator
- Link to Consumer Information Disclosures
- Link to Glossary of Terms and Definitions
- Contact Information for the Financial Aid Office
- Deadlines and Next Steps

Task Force on Consumer Info and Award Notification

2. Components of COA should be broken down into:
 - Direct Costs
 - Indirect Costs
3. Students should be informed of the potential debt they may incur at a college before paying the enrollment deposit
4. Award notifications should provide enrolled students with their cumulative loan history

Task Force on Consumer Info and Award Notification

5. The U.S. Department of Education should mandate that there be a central loan database (aggregator) where students can see all—federal and private—loans.
6. Each award letter should link to school-created web resource that contains links to

Advocacy and YOU

- You are each in a great position to advocate!
- Visit our Facebook Page for updates on student aid!
- Visit our website: www.nasfaa.org/advocacy
- Get students involved!

Questions?

