

Federal Update

National Association of Student Financial Aid Administrators

Fall 2021

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Speakers

- Justin Draeger
 - NASFAA President & CEO



- Karen McCarthy
 - Vice President of Public Policy and Federal Relations



- Rachel Gentry
 - Assistant Director of Federal & State Relations



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Agenda

- Inside The Beltway
- Higher Education Act Reauthorization
- Federal Budget & Funding
- Department Of Education Update
- COVID-19
- NASFAA Update

Inside The Beltway



Dynamics In Washington

- Democrats control Congress
- The COVID-19 Pandemic
- Tension Following the 2020 Election



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The Biden Administration

- High Level Priorities
 - *Double Pell*
 - *Free College*
 - Debt Cancellation
 - Repayment Simplification
 - Accountability



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Movement on “Build Back Better”

- Democrats hope to accomplish several of the higher ed priorities included in President Biden’s “Build Back Better” plan through the budget reconciliation process.
- Negotiated framework includes \$40 billion in higher education investment, including:
 - A \$550 increase to the maximum Pell Grant for students enrolled at public and non-profit schools
 - Title IV eligibility for DACA students
 - Elimination of taxability of Pell
 - \$6 billion for HBCUs, TCUs, and MSIs to award need-based financial aid to low-income students (including emergency financial aid grants)
 - \$3 billion to improve research and development infrastructure at HBCUs, TCUs, and MSIs
 - \$500 million for completion/retention grants
- This is a framework, not final legislation

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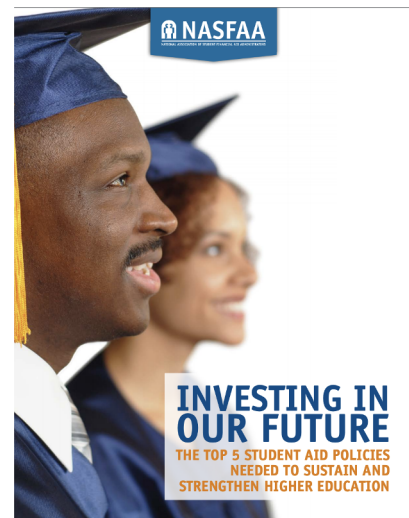
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NASFAA & The Biden Administration

NASFAA released a document detailing 5 key student aid priorities for the Biden administration and 117th Congress:

- Deliver additional COVID-19 relief to students and institutions
- Strengthen the Federal Pell Grant program
- Simplify the federal financial aid application process
- Curb student indebtedness and simplify repayment
- Enhance student aid delivery



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117th Congress: Senate

50 DEMOCRATS ✓

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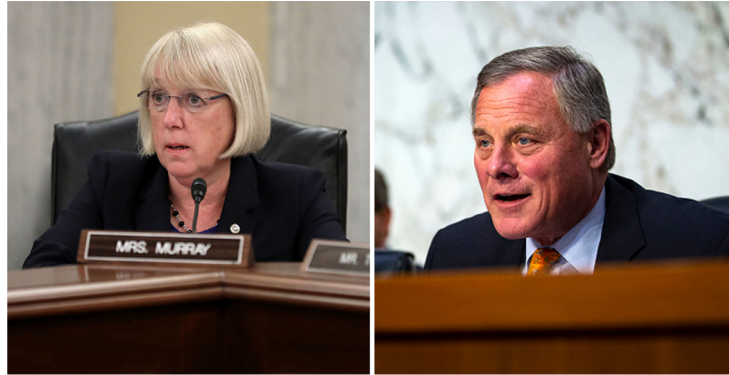
REPUBLICANS **50**

35 Not Up For Election

30 Not Up For Election

Gained 4 Seats, Lost 1 Seat

Gained 1 Seat, Lost 4 Seats



HELP Committee Leaders Sen. Murray & Sen. Burr

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117th Congress: House

222 DEMOCRATS ✓

218 for Control of House

REPUBLICANS **211**

Gained 3 Seats, Lost 12 Seats

Gained 13 Seats, Lost 3 Seats



House Education & Labor Committee Leaders: Rep. Scott & Rep. Foxx

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Higher Education Act Reauthorization

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HEA Reauthorization



- Last reauthorization in 2008
 - Current version of HEA technically expired in 2013
- **House**
 - House Democrats: Introduced College Affordability Act during 116th Congress
 - Will be starting point for House Dems in 117th Congress
- **Senate**
 - No comprehensive HEA proposal introduced in the Senate during the 116th.
 - Senator Murray taking over as chair and Senator Burr as Republican leader.
 - Bipartisan support needed to achieve comprehensive reauthorization this Congress.

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HEA Reauthorization Movement: 116th Congress

| | Senate Student Aid Improvement Act | House College Affordability Act |
|-------------------------------------|------------------------------------|---------------------------------|
| 1. Introduced in Committee | ✓ | ✓ |
| 2. Committee Markup | | ✓ |
| 3. Pass out of Committee | | ✓ |
| 4. Pass out of full House or Senate | | |
| 5. Conference House & Senate bills | | |
| 6. Both chambers pass final version | | |
| 7. President signs into law | | |

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HEA Issue Priorities

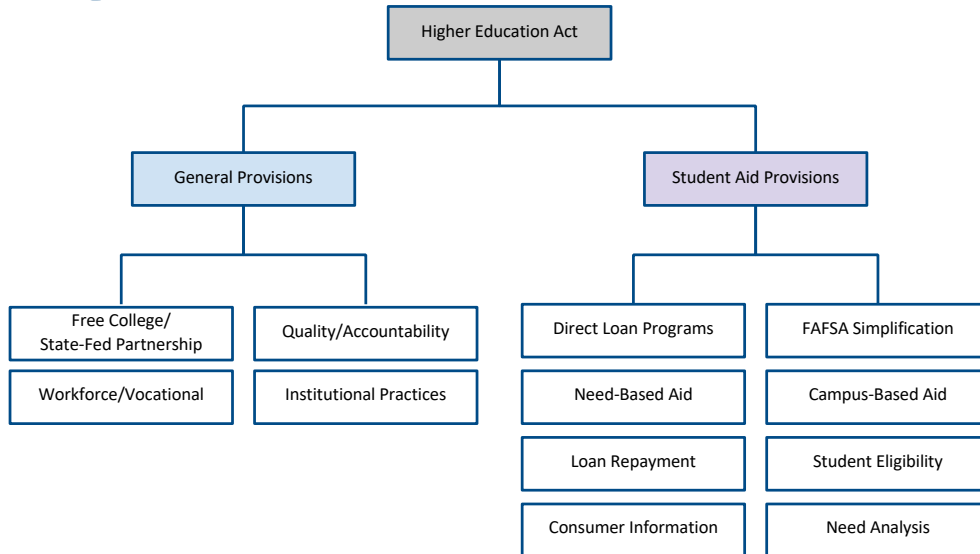
| Issue | House Republicans | House Democrats | Senate Republicans | Senate Democrats |
|--|-------------------|-----------------|--------------------|------------------|
| “One Grant, One Loan” | ✓ | | ✓ | |
| Risk-sharing | ✓ | ✓ | ✓ | ✓ |
| Repayment simplification | ✓ | ✓ | ✓ | ✓ |
| Free college for two years | | ✓ | | ✓ |
| Pell Grant increases tied to inflation | | ✓ | | ✓ |
| Pell Grants for short-term programs | ✓ | ✓ | ✓ | ✓ |
| Pell Grant “bonus” for increased credit load | ✓ | | | ✓ |
| Eliminate origination fees | ✓ | ✓ | | ✓ |
| Loan refinancing | | ✓ | | ✓ |
| Campus-based aid allocation formula changes | ✓ | ✓ | | ✓ |

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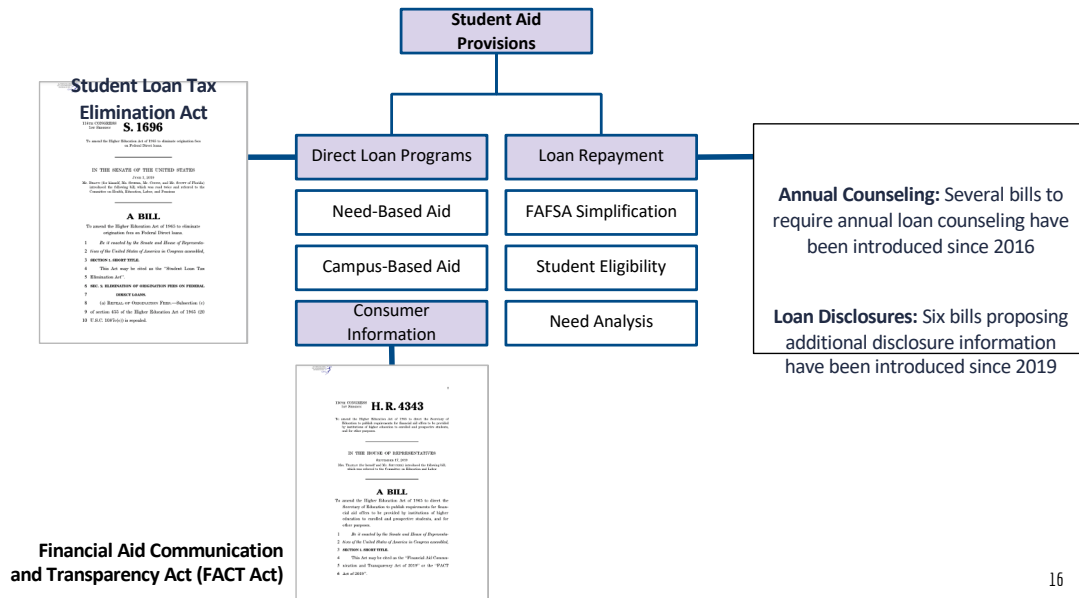
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Building Blocks to HEA

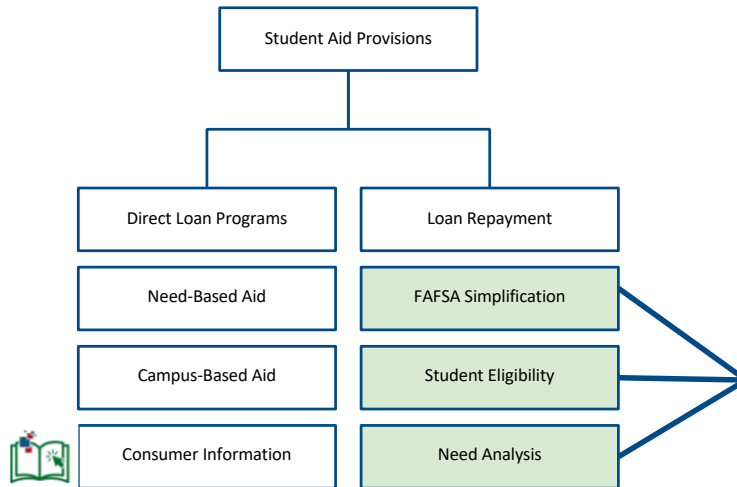


Building Blocks: A Closer Look

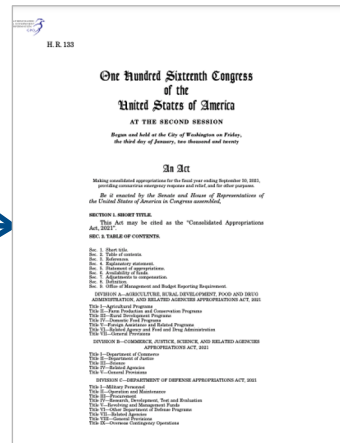




Building Blocks: A Closer Look

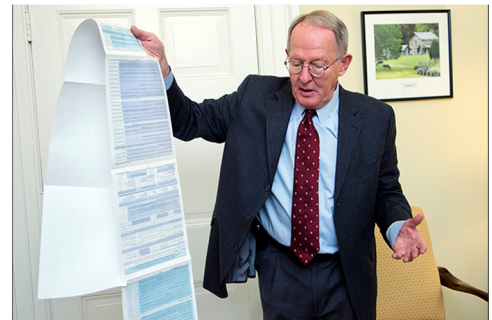


Consolidated Appropriations Act, 2021



Progress on FAFSA Simplification: Skinny HEA

- The omnibus passed on December 21st, incorporated elements of Sen. Alexander’s previous FAFSA simplification legislation
- ED will employ a delayed, phased implementation of the changes made to federal methodology and the FAFSA
- The statutory deadline for the changes is the 2023-24 award year but the delayed approach is now set to be completed by award year 2024-25, a year late.





Skinny HEA Provisions

- FAFSA Simplification
- Need Analysis/Pell Grant Eligibility
- Drug Convictions & Selective Service Registration
- SULA
- Pell for Incarcerated Students
- Professional Judgment
- Cost of Attendance

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FAFSA Simplification

- Fewer untaxed income items factored into FM formula
 - Child support received now reported with assets
- Change to who is reported as parent in cases of divorce/separation
- No asset questions for:
 - Those eligible for maximum Pell
 - Means-tested benefits recipients
 - AGI < \$60K and no lettered tax schedules
 - AGI < \$60K and only Schedule C, provided Schedule C gain/loss < \$10K

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Need Analysis & Pell Grant Eligibility

- Expected Family Contribution (EFC) will become the Student Aid Index (SAI)
- SAI can be as low as -\$1,500
- SAI determines eligibility for all Title IV aid except maximum and minimum Pell grant awards.
 - Student is considered for max Pell first
 - Based on # of parents in household and AGI vs. poverty
 - If no qualification for maximum Pell:
 - [Maximum Pell amount - SAI = Pell amount]
 - still rounded to nearest \$5
 - still subject to statutory minimum
 - If no max Pell and no Pell award from the SAI calculation, student is considered for minimum Pell
 - Based on # of parents in household and AGI vs. poverty

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Maximum Pell Grant Eligibility

- **Non-Filers**
 - Independent student (and spouse, if applicable) tax non-filers
 - Dependent children of nonfiling parent(s)
- **Children of certain deceased veterans and public safety officers**
 - Students under age 33 whose parent died serving in the armed forces after Sept. 11, 2001
 - Students under age 33 whose parent died in the line of duty as a public safety officer
 - Have to be otherwise eligible for Pell
- **Low income students:**
 - Independent students who are single parents and whose student AGI is below 225% of the poverty level
 - Dependent children of a single parent whose parent AGI is below 225% of the poverty level
 - Independent students who are not single parents whose student AGI is below 175% of the poverty level
 - Dependent students with parents who are not single parents whose parent AGI is below 175% of the poverty level

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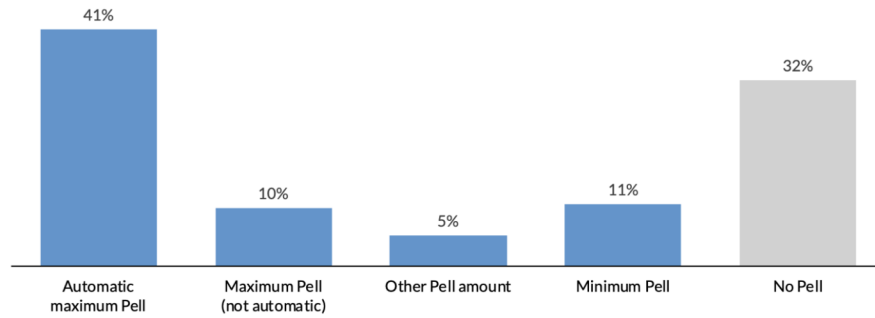


How Will the New Pell Grant Formula Affect Students?

How Students' Pell Grant Eligibility Will Be Determined

Most students who receive Pell will obtain the grant through automatic eligibility

Share of students who applied for federal financial aid



Source: Urban Institute analysis of 2016 National Postsecondary Student Aid Study data.

URBAN INSTITUTE

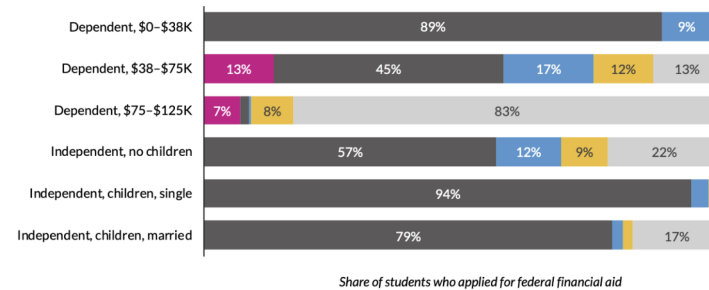


How Will the New Pell Grant Formula Affect Students?

Projected Changes to Pell Distribution

Implementing new maximum and minimum Pell rules and sibling adjustment

■ Reduce award by more than \$500
 ■ Within \$500
 ■ Increase award by more than \$500
■ New Pell award
 ■ No Pell award (before or after changes)



Share of students who applied for federal financial aid

Source: Urban Institute analysis of 2016 National Postsecondary Student Aid Study data.

URBAN INSTITUTE



Higher Ed Provisions

Drug Convictions & Selective Service

- Eliminates the suspension of federal student aid eligibility for applicants with drug-related convictions
- Removes Selective Service registration eligibility requirement
- Questions on drug convictions and Selective Service eligibility would be removed from the FAFSA.

Subsidized Usage Limit Applies (SULA)

- Repeals the SULA requirement, which currently bars students from receiving subsidized Direct Loans for more than 150% of the published length of their program.

Pell for Incarcerated Students

- Restores Pell Grant eligibility for incarcerated individuals who are currently prohibited from accessing Pell Grants
- Proprietary institutions would not be eligible to award or receive Pell Grants on behalf of incarcerated students

ED will repeal the SULA requirement for any borrower who receives a Direct Loan first disbursed on or after July 1, 2021.

ED has also instituted early implementation for the removal of the drug conviction and Selective Service eligibility criteria for the current 2021-22 award year.

(The questions will remain on the FAFSA until the 2023-24 FAFSA but will not cause packaging issues.)

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Progress on FAFSA Simplification: Future Act

- In December 2019, Congress passed and President Trump signed into law the FUTURE Act, which contained text from the FAFSA Act previously supported by NASFAA.
- The bill allows for direct cross-agency data sharing between IRS and ED, and will:
 - Transfer all items currently brought over from the DRT and applicants' filing status.
 - Allow students currently unable to use the DRT, including both non-tax-filers and tax filers of all filing statuses, to experience a simpler FAFSA process.
 - Address verification burden
 - Permit sharing of taxpayer information between ED and IRS for the purpose of determining eligibility for income-driven repayment plans.

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Federal Budget & Funding

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Biden Administration's FY 2022 Budget Request

- Requests \$102.8 billion for ED, a 41% (\$29.8 billion) increase over FY21 enacted level.
- Boosts maximum Pell grant for AY 22-23 to \$8,370
 - \$1875 increase over AY 21-22, including \$400 increase in discretionary funding and \$1,475 increase proposed in the American Families Plan.
 - Extends Pell eligibility to DACA recipients
 - Total increase represents a “significant first step” to deliver on the president’s goal to double the grant.
- Maintains FY21 funding levels for campus-based aid programs.
 - Federal Work-Study - \$1.19 billion
 - Federal Supplemental Educational Opportunity Grant (FSEOG) - \$880 million
- Does not include a proposal to cancel student debt.
- Reiterates free community college proposal and MSI/HBCU investment included in American Families Plan.

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What's Next: FY2022

President submits
FY22 budget
request to
Congress

February/
March

*Biden Admin
released its full
budget request
on 5/28*

Spring/
Summer

Senate and House
Budget
Committees
develop Budget
Resolutions

Senate/House
Appropriations
subcommittees draft
and pass
Appropriations Bills

Before
Oct. 1

*Congress passed a
Continuing Resolution
to extend government
funding through
December 3*



President Signs
Appropriations
bills into law
before Oct. 1

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The Department of Education

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Secretary Cardona

Cardona's Higher Education Priorities

- Rebuilding of America's schools post pandemic
- Education Funding
 - Higher Education
 - Expansion of Pell Grants
 - Federal loan forgiveness
 - Investment in HBCUs, HSIs, and tribal colleges
 - Investment in community colleges



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Under Secretary of Education James Kvaal

- Confirmed by Senate in September after a lengthy delay.
- Formerly served as president of The Institute for College Access & Success (TICAS) and Deputy Domestic Policy Advisory in Obama Administration.
- As ED's top postsecondary education official, the Under Secretary:
 - Is responsible for executing the Biden Administration's higher education and student aid agenda.
 - Coordinates policies, programs, and activities related to postsecondary education, CTE/adult education, and federal student aid.



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FSA Chief Operating Officer Richard Cordray



- Was the first director of the Consumer Financial Protection Bureau
- Served as Ohio attorney general prior to the CFPB
- Has track record of cracking down on consumer abuses related to:
 - Debt collection
 - Loan servicing
 - For-profit institutions

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FSA Updates

Federal Loan Borrowing Servicing Updates

- FSA originally planned to overhaul of the current loan servicing processes by moving to two servicers
- Currently cancelled due to the new administration's ideas on how servicing should look
- Some current servicer contracts that are due to expire this December have been renewed in the short term until ED figures out its plan going forward
 - Three servicers, PHEAA, Granite State and Navient have decided to end their contracts at the end of the year
 - Together those three servicers hold nearly 16 million borrower accounts which will need to be transferred to remaining servicers
- ED has extended the remaining federal student loan servicer contracts for an additional two-year period in order to better address servicing issues to better protect borrowers by holding servicers accountable for their performance

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Public Service Loan Forgiveness Overhaul

- ED formally unveiled details as to how the agency plans to rework the PSLF program

ED will:

- Temporarily offer “a limited PSLF waiver” to give borrowers credit for prior payments they made that would not otherwise count toward PSLF
 - Any prior payments made while working for a qualifying employer will count as a qualifying payment, regardless of loan type or repayment plan.
- Simplify payment qualifications
- Reduce barriers for military service members enrolled in the program
- Review denied PSLF applications and correct processing errors
- Regulatory changes for PSLF are anticipated to come through the ongoing negotiated rulemaking process in tandem with these plans

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Verification Relief

- ED announced, effective July 13, 2021 and for the remainder of the 2021-22 FAFSA processing and verification cycle, that they are waiving verification requirements for most FAFSA information
- Verification still needs to be completed for tracking groups V4 and V5
 - identity/statement of educational purpose and high school completion status
- Institutions may apply the waiver to any applicant selected for verification for whom verification is not yet completed
 - Institutions still must review all documents for conflicting information concerning a student’s eligibility
- ED has released the 2022-23 verification items and acceptable documentation which did not include the current waiver.
 - ED has said through a DCL that they “continue to consider additional flexibilities to the verification process for the 2022-2023 award year to help institutions and applicants deal with the ongoing challenges resulting from the COVID-19 pandemic.”

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Annual Student Loan Acknowledgement

- ED announced in early March that it would not require borrowers to complete the Annual Student Loan Acknowledgement (ASLA) for award year 21-22.
- ED cited the need to reduce administrative burden during current COVID-19 disruptions as the reason for the delay.
 - Second delay of requirement; was supposed to get into effect for the 21-22 award year
- Student and parent acknowledgement of how much they owe in federal loans prior to their first loan disbursement for an award year
- The ASLA will still be available on studentaid.gov for voluntary completion

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Negotiated Rulemaking

- Following public hearings in June 2021, ED published a solicitation for nominations for non-federal negotiators for negotiated rulemaking committees in Fall 2021.
- Session One will focus on *Affordability and Student Loans* and will tackle:
 - Total and Permanent Disability
 - Closed School Discharge
 - Eliminate Interest Capitalization
 - Improving Public Student Loan Forgiveness
 - Borrower Defense
 - Income Driven Repayment
- The 90/10 Rule is also slated for negotiated rulemaking, with public hearings starting late October
- Pell Grant eligibility for prison education programs will be discussed in a subcommittee.

Anything negotiated during this session cannot be effective until at least July 2023 per master calendar rules.

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COVID-19

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Higher Education Emergency Relief Funds


- Three funding tranches were created since the beginning of the pandemic
 - CARES Act, CRRSA, ARP
 - As of the creation of the ARP funding (HEERF III) all leftover HEERF I & II funds fall under HEERF III rules until spending deadline
- HEERF III Guidelines:
 - 50% of funds must be used on grants to students
 - Allows eligibility for all students regardless of Title IV status
 - Refugees, asylum seekers, Deferred Action for Childhood Arrival (DACA) recipients, other DREAMers, and similar undocumented students qualify for HEERF student grants
 - May not include funds on aid offers
 - Direct outreach requirement for possible PJ eligibility cannot be a “passive notification”
 - Institutions have one year from the date their most recent grant obligation was processed by ED to spend all of their HEERF funds

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HEERF Reporting

- HEERF III & II grantees must adhere to the two quarterly reporting requirements originally implemented for HEERF I funding
- An annual report for HEERF III & II will be due early 2022
- Institutions will report on their uses of any remaining HEERF I and HEERF II in advance of the HEERF III annual reporting deadline



HEERF REPORTING GUIDELINES

CARES ACT (HEERF I), CRRSA ACT (HEERF II), ARP (HEERF III)

STUDENT FUNDS QUARTERLY REPORTING

Who Must Complete
All institutions who received Student Funds under any of the three HEERF funding programs.


Due Dates
Reports are due quarterly and must be posted on the institution's primary website no later than 10 days after the calendar quarter:
 • January 10, April 10, July 10, October 10
 • HEERF II Exception: Quarterly reporting for HEERF II for the first quarter of 2021 (January through March) has been extended to the end of the second calendar quarter, June 30, 2021.

30-Day Funds-HEERF Report Requirement
 • After the creation of HEERF I the Department of Education instituted a requirement for reporting 30-days after the receipt of an institution's student share. This report is updated via the student funds quarterly report.
Due Dates:
 • HEERF I: 30 days from receipt of allocation, or September 30, 2020 whichever comes later.
 • HEERF II/III: 30 days from receipt of allocation or June 12, 2021, whichever comes later.

What To Report
 • An acknowledgement that the institution signed and returned the Certification and Agreement form & the assurance that the institution has used, or intends to use, no less than the required amount of funds received to provide HEERF grants to students.
 • The total amount of funds that the institution will receive or has received from ED
 • The total amount of HEERF grants distributed to students
 • The total number of students who have received an HEERF grant.
 • The methods used by the institution to determine which students receive HEERF grants and how much they would receive.
 • Any instructions, directions, or guidance provided by the institution to students concerning the HEERF grants.

Funds Fully Spent
Indicate that this is the institution's final quarterly posting and that it covers all remaining HEERF fund expenditures for whichever HEERF tranche of Student Portion funds. After posting, no more quarterly public reporting of Student Portion funds is required.

HEERF Comparison



Higher Education Emergency Relief Funds Comparison Chart March 2021

Any updates to this chart made after the initial publication on March 15, 2021 will appear in red text.

| Item | HEERF I Funds The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) | HEERF II Funds The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) | HEERF III Funds The American Rescue Plan (ARP) |
|-----------------------------------|---|--|--|
| Total HEERF Funding Amount | \$14 billion | \$23 billion | \$40 billion |
| Required Student Spending | <ul style="list-style-type: none"> • 50% of an institution's allotment must go to emergency financial aid grants to students | <ul style="list-style-type: none"> • Requires institutions to spend the same dollar amount on student grants as they were required to spend under the CARES Act • For-profits must use 100% of their allotment on student grants | <ul style="list-style-type: none"> • At least 50% of an institution's total allotment must go to student grants • For-profits must use 100% of their allotment on student grants |
| Allocation Formula | <ul style="list-style-type: none"> • 75% on the enrollment of full-time equivalent (FTE) Pell Grant recipients • 25% on enrollment of FTE non-Pell Grant recipients • Students who were enrolled exclusively in online, distance education courses prior to the COVID-19 emergency were excluded from this calculation | <ul style="list-style-type: none"> • 37.5% on FTE enrollment of Pell Grant recipients who were not enrolled exclusively in distance education courses prior to the qualifying emergency • 37.5% on headcount enrollment of Pell recipients who were not enrolled exclusively in distance education courses prior to the qualifying emergency • 11.5% on FTE enrollment of non-Pell recipients who were not enrolled exclusively in distance education courses prior to the qualifying emergency • 11.5% on headcount enrollment of non-Pell recipients who were not enrolled exclusively in distance education courses prior to the qualifying emergency • 1% based on FTE enrollment of Pell recipients who were exclusively enrolled in distance education course prior to the qualifying emergency • 1% based on headcount of Pell recipients who were exclusively enrolled in distance education courses prior to the qualifying emergency | <ul style="list-style-type: none"> • 37.5% on FTE enrollment of Pell Grant recipients who were not enrolled exclusively in distance education courses prior to the qualifying emergency • 37.5% on headcount enrollment of Pell recipients who were not enrolled exclusively in distance education courses prior to the qualifying emergency • 11.5% on FTE enrollment of non-Pell recipients who were not enrolled exclusively in distance education courses prior to the qualifying emergency • 11.5% on headcount enrollment of non-Pell recipients who were not enrolled exclusively in distance education courses prior to the qualifying emergency • 1% based on FTE enrollment of Pell recipients who were exclusively enrolled in distance education course prior to the qualifying emergency • 1% based on headcount of Pell recipients who were exclusively enrolled in distance education courses prior to the qualifying emergency |

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Borrower Relief

- On August 6th, ED announced the last extension of federal student loan relief ending January 31, 2022.
- NASFAA is working with ED to ensure a smooth transition for borrowers back into repayment.
- This includes the federal student loan administrative forbearance period, the pause in interest accrual, and the suspension of collections activity
- ED announced that they would waive income documentation requirements for student loan borrowers with total and permanent disability (TPD) conditional discharges.
- ED also announced that they will halt collections and interest accumulation for privately-held FFEL borrowers who are currently in default



March 15, 2021

Re: Recommendations for Successfully Transitioning Federal Student Loan Borrowers Back Into Repayment

From: Center for American Progress, New America Higher Education Program, National Association of Student Financial Aid Administrators (NASFAA), The Institute for College Access & Success (ICAS), and The Pew Charitable Trusts' Project on Student Borrower Success

To: Interested Parties

Even before the COVID-19 pandemic, many student loan borrowers were struggling, with more than a million borrowers going into default each year. To mitigate the challenges facing borrowers during the pandemic, the Biden Administration extended the pause on payments, interest, and collections for most federal student loan borrowers through September 30, 2021. When the pause ends, tens of millions of borrowers will move back into repayment simultaneously. The difficulties borrowers face are likely to persist even as the economy re-opens and the COVID crisis subsides.

The impending transition out of the repayment pause is an unprecedented challenge for the Education Department (ED), the Office of Federal Student Aid (IFSA), and its contracted loan servicers. In fact, [recent reports](#) indicate that as many as nine million borrowers could reach out for help at the same time, potentially overwhelming the system.

Research has shown that borrowers are confused and anxious about this transition, with many saying they may not be able to afford their monthly payments when the pause ends. If not managed properly, this transition could result in borrowers falling through the cracks and into delinquency and default; past disaster-related forbearances for hurricanes and wildfires have [contributed](#) to rising delinquency and default rates after the forbearances ended.

Of particular concern are borrowers who were in delinquency or default before the pause started in March 2020. Borrowers who were delinquent will re-enter repayment with a clean slate, and many defaulted borrowers who were in the process of rehabilitating their loans will have completed the process and will re-enter the repayment system. But these borrowers remain at high risk of falling back into delinquency and default, and IFSA must take targeted steps to keep these borrowers on track. And, borrowers who were in default before the payment pause but who did not rehabilitate their loans will once again be subject to collections.¹

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COVID Related Updates

- ED issued a Federal Register notice on December 11 extending the end dates of COVID-19-related waivers and modifications through the end of the payment period that begins **after the date** the COVID-19 national emergency is rescinded
- ED published a DCL in late January 2021 reminding FAAs about their authority to perform PJ adjustments

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NASFAA Update



NASFAA State Advocacy Toolkit

NASFAA developed the State Advocacy Toolkit to provide resources and materials to support state-level advocacy for regions, states, institutions, and individuals interested in becoming more engaged in state-level student aid policy.






Advocacy Opportunities

VOLUNTEER

Advocacy Pipeline 

Policy Task Forces 

Get Students Involved! 

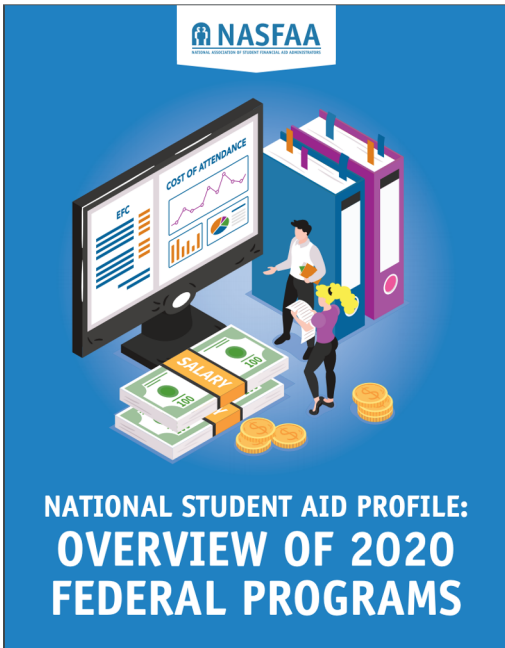
Read NASFAA's Today's News and Policy and Advocacy pages on nasfaa.org

STAY INFORMED!

INTERACT WITH CONGRESS

Share your advocacy efforts with NASFAA so we can support and assist you

Every two years in Congress means new states in the mix!




National Student Aid Profile

Overview of 2020 Federal Programs

NASFAA's HEA Priorities

In September 2021, NASFAA published its updated recommendations for HEA reauthorization, including an overview of NASFAA's top HEA priorities and a complete list of our HEA reauthorization positions.

REMOVING BARRIERS AND EXPANDING OPPORTUNITY:
 NASFAA HIGHER EDUCATION ACT REAUTHORIZATION PRIORITIES

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Join Us For The 2022 Leadership Conference!



REGISTRATION NOW OPEN!



<https://www.nasfaa.org/leadership>

