

Financial Aid News

A service of the Accrediting Council for Continuing Education & Training

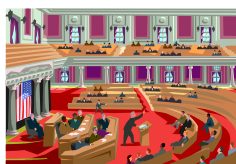


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CONSOLIDATION APPROPRIATIONS ACT

Congress passed and President Obama signed the Consolidated Appropriations Act for fiscal year 2012 late in December 2011.



Effective for the 2012-2013 award year, the law makes several significant changes to federal student aid:

- Students who enroll on or after July 1, 2012 under the ATB provision are no longer eligible for federal student aid at any institution. This includes both ATB tests and the six-credit alternative. As of July 1, 2012, students must have a high school diploma or GED, or have been home schooled in order to be eligible for Title IV aid. ATB students who enroll prior to July 1, 2012 will be aid-eligible under current federal regulations.
- The maximum Pell Grant will be maintained at \$5550, but the eligibility calculation for the minimum Pell Grant award has changed. Students with an EFC higher than 4995 will not receive a Pell Grant award.
- The need analysis calculation for the Auto Zero formula variant has been decreased; the income threshold was scheduled to be \$32,000 for an Auto Zero, but will be \$23,000 under the amended law.

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FEDERAL LIMITS ON PROGRAM LENGTH

The Program Integrity regulations, effective July 1, 2011, included a revision to the Program Participation Agreement (34 CFR 668.14) that extends to **all gainful employment programs** the regulatory limitation on program length that was previously applicable only to short-term programs (300 to 600 clock hours). The specific language reads as follows:



§ 668.14 (b)(26) If the stated objectives of an educational program of the institution are to prepare a student for gainful employment in a recognized occupation, the institution will—

- (i) Demonstrate a reasonable relationship between the length of the program and entry level requirements for the recognized occupation for which the program prepares the student. The Secretary considers the relationship to be reasonable if the number of clock hours provided in the program does not exceed by more than 50 percent

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APPROPRIATIONS *Continued from Page 1*

- Federal subsidies for all Stafford Loans will be eliminated during the six month grace period for loans first disbursed on or after July 1, 2012, until 2014. (Under prior budget legislation, the termination of the DL interest rebate will be effective for loans first disbursed on or after July 1, 2012. The interest rate reduction for automatic electronic debt will continue.)

Processing for the 2012-2013 award year began early in January 2012 and included the revised Auto Zero EFC threshold, but some ISIRs will be processed using the 2011-2012 Pell Grant calculation rules and will need to be reprocessed with the revised eligibility calculation, resulting in ISIR messages that the applicant is ineligible for Pell at his or her EFC.

SPECIAL DIRECT CONSOLIDATION LOANS



As announced by the Obama administration in October, ED will be offering a Special Direct Consolidation Loan

for eligible borrowers from January 17 – June 30, 2012. Federal loan servicers will begin contacting eligible borrowers in mid-January 2012. To be eligible, a borrower must have at least one Direct Loan or ED-held FFEL Loan AND at least one commercially-held FFEL Loan. The Direct Loan or ED-held FFEL Loan must be in a current repayment status or not more than 270 days delinquent. Borrower information is available at <http://studentaid.ed.gov/PORTALSWebApp/students/english/specialconsolidation.jsp>

FEDERAL LIMITS *Continued from Page 1*

- the minimum number of clock hours required for training in the recognized occupation for which the program prepares the student, as established by the State in which the program is offered, if the State has established such a requirement, or as established by any Federal agency; and
- (ii) Establish the need for the training for the student to obtain employment in the recognized occupation for which the program prepares the student.

As a reminder, all programs (including degrees) offered by proprietary institutions are considered gainful employment programs (except BA degrees in liberal arts); at non-profit institutions, certificate and diploma programs are considered gainful employment programs.

The new requirement will affect programs that are regulated by states for licensure or certification, including massage therapy, nurse assistants, vocational nurses, and other fields.

DOD MEMORANDUM

The DOD has established a requirement for higher education institutions to sign a Memorandum of Understanding (MOU) in order for active duty military students to utilize Tuition Assistance payments. More information is available at <http://dodmou.net>.



GAINFUL EMPLOYMENT DATA CORRECTIONS

On December 16, 2011 ED published Gainful Employment Electronic Announcement #30, authored by Jeff Baker, Director, Policy Liaison and Implementation for Federal Student Aid. The announcement stated that ED “will not enforce the 10 day corrections deadline” previously disseminated for gainful employment data. The electronic announcement informs schools that “institutions must submit all corrections as soon as possible, in order for the Department to accurately calculate the first set of GE metrics (Informational Rates), corrections to data for the 2006-2007, 2007-2008 and 2008-2009 years must be submitted to NSLDS no later than January 20, 2012.”



As a reminder, in 2012 the FY11 GE metrics will be calculated for informational purposes, using the FY07 and FY08 data. The FY12 GE metrics will be calculated in 2013 using the FY08 and FY09 data. GE programs must pass at least one of the GE metrics: 35% repayment rate; 12% debt to total earnings ratio, or 30% debt to discretionary earnings ratio. If a program fails all GE metrics for three out of four years, it loses aid eligibility.

In some instances, schools have received SSN conflict error messages, and the student’s GE data was rejected by NSLDS. Institutions are required to work with loan servicers, other schools and the former student to resolve the SSN conflict “as promptly as possible.” If the school has followed the federal guidance on resolving the SSN conflict and is unable to resolve it, ED “will consider the institution to have met the GE reporting requirement for that student if it maintains documentation of the steps the institution took to attempt to resolve the SSN conflict.”

NOTES FROM THE FSA CONFERENCE

ED posted the updated presentations from the FSA Conference to IFAP on December 8, 2011, including recordings of all sessions.

From the federal update session:

- \$150 billion in federal aid was disbursed to 15 million students last year; \$100 billion was Direct Loans
- \$35 billion in Pell Grant funds was disbursed to 9 million students
- There are 24 million active Direct Loan borrower accounts
- In 1996 the average student loan debt at graduation was \$12,500; in 2011, it is over \$25,000
- The federal government awards one-half of all undergraduate financial aid
- The count of FAFSAs submitted is up nearly 50% since 2008

From the 2012-2013 FAFSA session:



- By 10/02/11, 18.8 million FAFSAs were processed for 2011-2012, compared to 21.1 million for all of 2010-2011; this represents a 5% increase for 11-12 YTD
- The peak processing date for 2011-2012 was Feb. 28, 2011, with 373,086 FAFSAs processed (compared to the peak day for 10-11, same date, 320,890 FAFSAs); approximately 68,000 concurrent users were on FOTW

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FSA CONFERENCE

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- FAFSAs filed by independent students for 2011-12 have increased nearly 70% compared to 2010-2011; applications by dependent students are up 37% over last year
- For the past six years, FAFSA completion rates for low-income households have been at rates between 32 and 35%
- For families with incomes over \$40,000, FAFSA completion is up 9.6%, but only 3.6% for families with less earnings
- FAFSA completion time dropped from 32 minutes, 53 seconds for 2010-2011 to 23 minutes, 17 seconds for 2011-2012

FRAUD IN DISTANCE EDUCATION PROGRAMS



GEN-11-17, dated October 20, 2011 advises institutions to implement systems for monitoring distance education students in particular, for potential fraud. ED provides explicit guidance that schools can delay disbursements and make more frequent disbursements for DE students. ED has established an anti-fraud ring task force chaired by Jeff Baker. An interest session on this topic was held presented at the FSA Conference in December; interested schools can download the presentation and/or watch the recording; both links are available via IFAP.

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*Any opinions expressed herein are solely those of
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