

NJASFAA Government Relations Newsletter

FALL 2011

SPECIAL POINTS OF INTEREST:

- What is the Super Committee Proposing?
- What can you do about the Super Committee's Proposals?
- Upcoming Student Loan Changes
- What is going on with the Department of Education's Model Award Letter?

INSIDE THIS ISSUE:

Super Committee	1
Loan Changes	2
Model Award Letter	3
Contact Us	4

Your Government Needs You!

Welcome to the first issue of the NJASFAA Government Relations Committee Newsletter. One of the benefits of membership of NJASFAA is this Fall 2011 Newsletter, which has been prepared for you by our committee to keep you abreast of current issues in federal and state student aid.

In this issue, we will be discussing legislative action already underway including the work of the Joint Committee on Deficit Reduction (Super Committee), and the proposed cuts they are considering with regard to student aid. We will also review the recently announced loan changes, and the proposals for the Model Award Letter.

The GRC works to keep NJASFAA membership educated on government-related student aid topics. It is more important than ever that our membership is involved and informed about these issues, and is actively engaged in the protection of the student aid programs. You can make a difference by communicating your concerns and issues to your representatives at the federal and state levels. To find your NJ State legislator, [click here](#). To find your [Congressman](#) and [Senators](#), click on the link.

The GRC is always seeking new members. To join the committee, go to www.njasfaa.org and click on the "NJASFAA NEEDS YOU – Volunteer Now" link. To contact the committee, our contact information is on the last page of this newsletter.



What Super Thoughts is the Super Committee Having?

The Budget Control Act of 2011 created the Joint Committee on Deficit Reduction (Super Committee) which is made up of 6 Democrats and 6 Republicans. The Super Committee has a November 23, 2011 deadline to reach at least \$1.2 trillion in cuts. If the Super Committee does not reach those cuts, an enforcement mechanism, known as sequestration, will be imposed. This process would mandate across-the-board spending cuts, with half coming from defense spending and the other coming from non-defense spending.

The following proposals were put forth by the White House and have already passed:



"If the Super Committee cannot reach at least \$1.2 trillion in cuts, across-the-board spending cuts would go into place, with half coming from defense spending and the other coming from non-defense spending."

Super Committee continued

- Eliminate Year-Round Pell
- Eliminate interest subsidies for graduate students

The following proposals have been put forth by House and Senate members, but have not been passed:

- Maintain \$5,500 maximum Pell Grant for 2012-12
- Eliminate interest subsidy for undergraduates during grace period
- Level Funding for FWS and SEOG
- Maintain \$5,550 maximum Pell Grant for 2012-13
- Reduce lifetime Pell eligibility to 6 years, down from 9 years
- Revoke Pell eligibility for students who attend less than half-time
- Eliminate Ability to Benefit options
- Reduce Auto-Zero income threshold to \$15,000, down from \$31,000
- Reduce student Income Protection Allowances
- Eliminate Pell award to students whose EFC would result in an award less than 10% of maximum award
- Reinstate previously excluded forms of untaxed income
- These include the following:
 - The amount of additional tax credit claimed for tax purposes
 - Welfare benefits
 - Earned income credit claimed for tax purposes
 - Credit from tax paid on special fuels
 - Untaxed social security benefits
 - Foreign income exclusion
- Level funding for FWS and SEOG

For more information on these proposals, click www.nasfaa.org/advocacy/budget-2012/FY_2012_Budget.aspx. You can make a difference in how these proposals move forward, go to www.deficitreduction.gov.



More Loan Changes Coming...

On October 25, President Obama announced some new enhancements to the student loan programs to assist students who are struggling with their educational debt. The two main student loan-related provisions of this announcement, called "Helping Americans Manage Student Loan Debt" are an enhancement of the Income-Based Repayment (IBR) plan, and some more generous options for student loan consolidation.

The changes to the IBR plan include reducing the monthly payment to 10% of discretionary income (currently, the limit is 15%) and reducing the total time in

which the loan would be in repayment before forgiveness provisions kick in from 25 years to 20 years.

These changes were already going to take place in 2014, but the President's proposal moves the implementation of these more generous provisions to 2012. This would also only be available to those students who have taken student loans after 2008, and will have a loan in 2012 as well.

IBR is not available to all borrowers. Under current rules, the payment amount is set by determining how much the borrower earns above 150% of poverty line (\$16,335 for a single borrower or \$33,525 for a family of four) and multiplying that by 15%. Under the new provisions, the payment amount is reduced because the multiplier is 10%, and the change is occurring two years earlier, but *it doesn't increase the number of borrowers who are eligible*. Also, the new IBR program will only be available to borrowers who first borrowed in 2008 or later and who borrow again in 2012. Students who borrowed prior to 2008 or who graduated before 2012 do not qualify. The change from 25 to 20 years of repayment before forgiveness kicks in could be very meaningful to some borrowers, however.

The new IBR program is at no cost to taxpayers **only** because of the planned changes to consolidation.

The student loan consolidation changes include a reduction in the interest rate for those students who consolidate FFELP loans and DL loans into the DL Consolidation Program after January 1, 2012 and before June 30, 2012. The students who are eligible for this program will be notified that if they consolidate, they will receive a quarter-point interest rate reduction, and can receive an additional quarter-point interest rate reduction if they allow electronic auto-debiting for repayment. Any loans consolidated away from FFELP lenders will take the profit away from those lenders and turn it over to the US government. Some borrowers may have better existing borrower benefits with their old FFELP loans. The new consolidation provisions will only be available from January, 2012 to June, 2012, so it is a short window.

The President expects these initiatives to be enacted without Congressional approval, but some Republicans in Congress oppose this. Negotiated rulemaking procedures will be followed with regard to the IBR procedures.

For more information about this topic, go to the NASFAA website or [click here](#).

“The new IBR program is at no cost to taxpayers only because of the planned changes to consolidation.”

Should All Schools Use The Same Award Letter Format?

Yes, there are still more “new” requirements coming from HEOA. The Higher Education Opportunity Act (HEOA) of 2008 provided that ED will “develop a model format for financial aid offer forms...”

In September, ED held a public meeting to gather feedback from the higher education community on the topic of the standardization of award letters. NASFAA made recommendations, as did others. There will be two sessions at the FSA Conference to provide an update on the outcomes as well as receive feedback. The sessions will be held Tuesday, November 29 from 11:00 am to 12:15 pm and Wednesday, November 30 from 2:00 pm to 3:15 pm. The Department also included 5 samples that were used to generate comments and feedback. You can find these samples online at www2.ed.gov/policy/highered/guid/aid-offer/index.html.

In October, The Department partnered with the Consumer Financial Protection Bureau (CFPB) to launch “Know Before You Owe.” This project is designed to create a model financial aid disclosure form for students and parents. The project has started with a one page “Financial Aid Shopping Sheet” as a format for schools to use. The main components are:

- Cost of attendance (full time)



Update Sessions:

Tuesday, November 29, 2011

11:00am-12:15pm

Wednesday, November 30, 2011

2:00pm- 3:15pm

Model Award Letter (continued)...

- Total gift aid (grants and scholarships)
- Costs after gift aid
- Loans and work study
- Estimated monthly federal loan payment
- Estimated debt and estimated loan payment for all loans
- Institutional default, graduation, and retention rates (yes, the same ones from the FAFSA submission page)
- Institutional cost compared to the average cost at the institution as well as compared to the average cost at other sectors

Consumers will be able to comment on what they find to be important information for an award letter online at www.consumerfinance.gov/students/knowbeforeyouowe, and yes, you are a consumer so please comment and encourage your friends and family to comment as well.

Community concerns about the model award letter:

- These forms are focused on incoming students. Most institutions have considerably more continuing students than incoming students. While some of the loan information is helpful to remind students, they are not using their financial aid award letter to compare.
- There is little space for other forms of consumer information such as loan cancellation, space for acceptance of award, next step, etc.
- A one-size-fits-all approach for these forms may not serve the student needs from non-standard term schools.
- Should financial aid award letters communicate costs? Should this information be provided in a separate outreach?

Resources:

Department's page on Model Financial Aid Offer Form: at www2.ed.gov/policy/highered/guid/aid-offer/



New Jersey Association of Student Financial Aid Administrators, Inc.

NJASFAA Government Relations Committee

[Mike Livio](#), Co Chair, Princeton Theological Seminary

[Evelynne Blatt](#), Co-Chair, Union County College

[James Anderson](#), Montclair State University

[Lissa Anderson](#), Financial Aid Office Solutions, LLC.

[Lucy Candal-Fernandez](#), Montclair State University

[Michael Corso](#), Sussex County Community College

[Nedi Goga](#), Union County College

[Ivon Nunez](#), New Jersey Institute of Technology