NJASFAA Government Relations Newsletter

NEW JERSEY ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATOR

FALL 2013

SPECIAL POINTS OF INTEREST:

- **Educational Opportunity Fund**
- **150% Loan Limit**
- **Sequestration Changes**
- **2014-15 Verification changes**

INSIDE THIS ISSUE:

Advocate for Educational Opportunity Fund (EOF)

The New Jersey Educational Opportunity Fund (EOF) programs were established in 1968 to serve a critical mission: improving affordability and access for all students. EOF combines a rigorous summer program with intensive mentoring to ensure that economically and educationally disadvantaged students, who might otherwise flounder at college, instead thrive and succeed. Twenty-eight public and thirteen independent colleges proudly feature EOF programs among their offerings for low-income graduate and undergraduate students. Despite the great accomplishments of the EOF programs, they were flat funded in the FY 2014 state budget. In fact, the state budget currently allocates less funding to EOF than was allocated in FY 2007, 2008, 2009, or 2010!

Est. 1968

EOF

In February, the Governor will present his proposed FY 2015 budget. We ask him to please increase funding to this valuable program when deciding how to distribute the state's resources. Likewise, please join us in reminding our state legislators to protect EOF throughout the budget season, which does not end until June 30th. EOF means more than just financial aid—it means providing motivated but disadvantaged students with academic assistance and a supportive network that can make the difference between graduating or not.

Help Students Navigate the 150% Loan Limit Rule

Policy changes such as the 150% limit rule regarding federal Direct Subsidized loans can be confusing for students, and can cause additional counseling inquiries and work for your financial aid office.

As of July 1st, 2013, any first-time borrower, (which is defined as someone who has no outstanding balance on a FFELP or Direct loan when receiving a Direct loan on or after July 1, 2013), will only be able to obtain federal Direct Subsidized loans for a maximum of 150% of the published program length in which they are enrolled. Additionally, the subsidized loans that had been borrowed up to the 150% point will lose further government subsidy and interest will begin to become the student's responsibility if they do not graduate by the 150% point (and continue to be enrolled in the same or a

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Help Students Navigate the 150% Loan Limit cont.

shorter undergraduate program). From that point forward, these subsidized loans will become *unsubsidized* loans

Here are five key take-aways to keep in mind when counseling students:

1. Students may receive Direct Subsidized loans for no more than 150% of the length of the current academic program. For example, a student enrolled in a two-year program will have three years' worth of subsidized loan eligibility and a student enrolled in a four-year program will have six years' worth of subsidized loan eligibility.
2. Once a student reaches the 150% mark in a particular program, their future subsidized loan eligibility in that program will end. They may, however, be eligible for unsubsidized loans.
3. A student who reaches the 150% limitation will have their interest subsidy end for all outstanding subsidized loans if the student does not graduate and continues to be enrolled in the same or a shorter undergraduate program. Repayment does not begin, but like unsubsidized loans, the student (rather than the government) would become responsible for interest that accrues from this point forward.
4. Unlike other measures in determining continued aid eligibility, this provision is not affected by the total dollar amount borrowed. Any and all periods of subsidized loan borrowing will count against the 150% time limit.
5. This policy is in addition to, and not in place of, the lifetime aggregate loan limits that are currently in place.

ED Publishes Part 2, Final Rules from 2011-2012 Negotiated Rulemaking

In the *Federal Register* dated November 1, 2013, ED published part 2 of the final rules from the 2011-2012 negotiated rulemaking meetings.

Overview of changes

These new rules revise the Student Assistance General Provisions, Perkins Loan Program, FFEL Program and Direct Loan Program by:

- Amending the FFEL and Direct Loan program regulations to reflect recent changes made to the Higher Education Act
- Updating, strengthening, and clarifying various areas of the regulations for these programs

Providing for greater consistency among the programs

More information

To learn more detail about all of the changes, read the discussion items in the *Federal Register* preamble language, as well as the wording of the final regulations. See the Final Rule Topics Chart for a list of specific topics and applicable preamble page numbers to assist in your reading.

Federal Student Aid to Launch New Repayment Campaign

In case you missed it, the U.S. Department of Education's Office of Federal Student Aid (FSA) recently announced that starting this month, it will begin sending targeted emails to student loan borrowers. The goal is to help individuals understand the various repayment options, so that they can select the best fit for their situation.

The campaign, which is being launched in response to a call from President Obama to make college more affordable, targets borrowers whose grace periods are ending, borrowers who have fallen behind on their payments, borrowers with higher-than-average debts, and borrowers in deferment or forbearance because of financial hardship or unemployment.

The e-mails (view a sample in Adobe PDF format) will be distributed through mid-December, and are intended to reach approximately 3.5 million federal student loan borrowers. Borrowers will be encouraged to connect with their federal loan servicer, and also prompted to access online resources such as FSA's IBR calculator and repayment calculator.

Concurrent with this outreach, FSA will conduct a social media campaign on Facebook, YouTube and Twitter geared toward recent college grads and borrowers. The campaign will focus on loan repayment options, common mistakes and general student loan advice.

More Information

For more information about FSA's new repayment campaign, check out the recent press release, which includes a quote from U.S. Secretary of Education Arne Duncan, as well as details about a new financial aid toolkit that's being developed for guidance counselors and other student advisors.

FY 2014 Sequestration Changes to Title IV Student Aid Programs

In *Dear Colleague Letter* (DCL) GEN-13-22, published on October 11, 2013, ED provided information about additional sequester funding reductions that took effect with the start of the 2014 federal fiscal year (FY 2014) under the Budget Control Act of 2011. The DCL provides the following information:

- Iraq-Afghanistan Service Grants: Grant awards first disbursed *on or after October 1, 2013,* must be reduced by 7.2 percent from the original statutory amounts.

- TEACH Grants: Grant awards first disbursed *on or after October 1, 2013*, must be reduced by 7.2 percent from the original statutory amounts.

- Direct Loans: Origination fees for Direct Loans will increase for loans first disbursed *on or after December 1, 2013*. The origination fees for Direct Subsidized and Unsubsidized will be 1.072 percent. The origination fee for Direct PLUS Loans will be 4.288 percent. (Note that these increased fees did not become effective on October 1, 2013 due to various operational complexities.)

Important information about sending these loan records to COD

Since ED and schools need time to modify their systems and procedures to implement these changes, ED has established October 18, 2013 as the date when schools may begin submitting Direct Loan records to the COD System for loans with a first disbursement on or after December 1, 2013. If a school has already submitted such a loan record to the COD System, the school must cancel that origination and resubmit a new origination on or after October 18, 2013 using the new loan fee percentages.

- Campus-based programs: At this time, ED does not have information about the sequester's impact on 2014-2015 award year campus-based allocations. Therefore, the 2013-2014 award year campus-based allocations remain valid for now.

Federal Pell Grants: As a reminder, Federal Pell Grants are exempted from the effects of the sequester for the 2013-2014 award year. ED will provide Information about 2014-2015 award year Pell Grant payment amounts when Congress authorizes an appropriation.

2014-2015 Academic Year Verification Changes

In June of this year, the *Federal Register* announced changes to the verification processing for the 14/15 academic year. The information to be verified for selected applicants includes all 13/14 verification items in addition to "other untaxed income."

The verification tracking groups have been expanded to include V6 - Household Resources Verification to accommodate the "other untaxed income" requirement. Other untaxed income (that is not reported on the IRS Tax Return) is reported on the 14/15 FAFSA in questions 45 (students) and 94 (parents).

If the financial aid administrator determines that the amount of income, including untaxed income reported by the selected applicant, is insufficient to maintain the reported household size, the applicant and parents, or spouse (whichever is appropriate) must explain how the family was supported financially during the 2013 calendar year.

Applicants assigned to the V6 tracking group must also verify the following:

- Income
- Household size / number in college
- SNAP, if reported on FAFSA
- Child support received, if reported on FAFSA

Applicants will no longer be assigned to the V2 SNAP tracking group. SNAP benefits are verified within the V1, V4, V5 and V6 groups if the benefit is reported on the ISIR.

Detailed information on the 14/15 verification changes and requirements can be found in the *Federal Register* notice published 06/13/13 and DCL: GEN-13-16

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New Jersey Association of Student Financial Aid Administrators, Inc.

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