

Federal Update

National Association of Student Financial Aid Administrators

Spring 2022

Karen McCarthy, Vice President, Public Policy and Federal Relations

1

1



Agenda

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

2

2

Inside The Beltway

3

3



Dynamics In Washington

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



4

4



117th Congress: Senate

50 DEMOCRATS ✓

50

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

5

5



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

6

6



The Biden Administration

- High Level Priorities

- Double Pell
- Free College
- Debt Cancellation
- Repayment Simplification
- Accountability



7

7



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.
- The most recent iteration of the negotiated framework features \$40 billion in higher education investment, including:
 - A \$550 increase to the maximum Pell grant, for students at public & non-profit institutions
 - Title IV eligibility for DACA students
 - Elimination of Pell Grant taxability (for 4 years)
 - Automatic -1,500 SAI for means-test benefits recipients
 - \$9 billion for HBCUs, TCUs, & MSIs, including \$6 billion to award need-based financial aid to low-income students and \$3 billion for research/development infrastructure.
 - \$500 million for completion/retention grants
- The tuition-free community college program included in Democrats’ previous proposals has been eliminated.
- On 11/19, the House passed the bill on a party-line vote. It is unclear when the Senate might act on the measure, and the framework may be modified as negotiations continue.

8

8

Higher Education Act Reauthorization

9

9



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.
 - Bipartisan support needed to achieve comprehensive reauthorization this Congress.

10

10



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		

11

11



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	✓	✓		✓

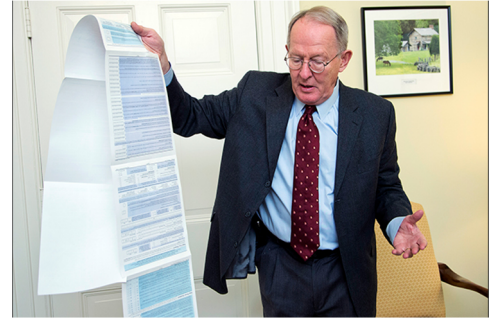
12

12



Progress on FAFSA Simplification

- The omnibus passed in December 2020, incorporated elements of Sen. Alexander's previous FAFSA simplification legislation
- ED will employ a delayed, phased implementation of the changes made to federal methodology (FM) and the FAFSA
- FM changes to be implemented for 24-25



13

13



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.

14

14



FAFSA Simplification Act

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

15

15



FAFSA Simplification

- Fewer untaxed income items factored into FM formula
 - Child support received now reported with assets
- Removal of number in college in calculation
- 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

16

16



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]
 - 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

17

17



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

18

18



NASFAA's SAI Modeling Tool

- This tool allows institutions to model how the recent changes to the FM EFC formula — which has been renamed the Student Aid Index (SAI) and is expected to be fully implemented for the 2024-25 award year — will impact student need and institutional financial aid budgets
- The model will also estimate the student's Pell Grant award under the provisions of the FAFSA Simplification Act.



Available to NASFAA members: https://www.nasfaa.org/sai_modeling_tool

19

19



Student Eligibility 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 will be removed from the 23-24 FAFSA.
- Implemented as of 21-22 award year*

Subsidized Usage Limit Applies (SULA)

- Repeals the SULA requirement, which barred students from receiving subsidized Direct Loans for more than 150% of the published length of their program.
- Repealed for any borrower who receives a Direct Loan disbursed on or after July 1, 2021

Pell for Incarcerated Students

- Restores Pell Grant eligibility for incarcerated individuals who are currently prohibited from accessing Pell Grants
- Proprietary institutions will not be eligible to award or receive Pell Grants on behalf of incarcerated students
- Will be implemented with the start of the 2023-24 award year

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

20

20



Professional Judgment; Authorized for 23-24 Implementation

- At ED's discretion, would have to announce in *Federal Register*
- Prohibits institutions from maintaining a policy of denying all professional judgment requests
- Allows FAAs to offer a dependent student an unsubsidized loan without requiring the parents to fill out the FAFSA if the student does not qualify for, or does not choose to have a professional judgment review
 - FAA would have to determine that the parent(s) of the student ended support or would not fill out the form
- Allows FAAs during a qualifying emergency to use PJ to zero out income earned from work if the applicant can provide paper or electronic documentation of receipt of unemployment, or can provide proof that an application for unemployment benefits was submitted

21

21



Provisional Independent Status; Authorized for 23-24 Implementation

- At ED's discretion, would have to announce in *Federal Register*
- Allows otherwise dependent students to complete the FAFSA as a "provisional" independent student if they believe they may qualify for independent student status due to unusual situations and would likely meet the criteria for a dependency override
- The student would receive an estimate of their federal Pell Grant award and other information based on an independent status after completing the FAFSA
- FAAs would be required to notify these students of the institution's process, requirements, and timeline for an adjustment to be completed under a PJ review

22

22



Cost of Attendance

- Gives ED the authority to regulate all COA components except tuition and fees (not effective until 24-25)
- Authorized for 23-24 implementation at ED's discretion:
 - The COA food allowance for on-campus plans or off-campus meals must provide the equivalent of at least three meals per day
 - COA must include the one-time cost of obtaining the student's first professional licensure
 - Institutions will be required to make publicly available a list of all the elements of the COA and disclose those figures on any portion of the website describing tuition and fees

23

23

Federal Budget & Funding

24

24



Final Fiscal Year 2022 Appropriations

- \$76.4 billion in discretionary funding appropriated for the Department of Education
 - \$2.9 billion increase over FY2021
- \$400 increase to the maximum Pell Grant award
 - New maximum for 2022-23 award year is \$6,895
- \$35 million increase for campus-based aid programs
 - FWS - \$1.21 billion (\$20 million increase)
 - FSEOG - \$895 million (\$15 million increase)

25

25



What's Next: FY2023

President submits
FY23 budget
request to
Congress

February/
March

Spring/
Summer

Before
Oct. 1

Senate/House
Appropriations
subcommittees draft
and pass
Appropriations Bills

Senate and House
Budget
Committees
develop Budget
Resolutions

Appropriations
Completed
by Oct. 1

President Signs
Appropriations
bills into law
before Oct. 1

26

26

Biden Administration's FY 2023 Budget Request



The Biden Administration released its FY 2023 budget request on March 28, which proposed funding impacting the 2023-24 award year. The request proposes \$26.3 billion for the federal student aid programs and:

- Commits to doubling the maximum Pell Grant by 2029
- Proposes a \$1,775 increase over the 2022-23 maximum Pell Grant that would boost the 2023-24 maximum award to \$8,670.
- Requests flat funding for FSEOG and FWS at the FY 2021 enacted levels.
 - FSEOG: \$880 million, \$15 million less than FY 2022
 - FWS: \$1.19 billion, \$20 million less than FY 2022
- Indicates continued interest in easing the burden of student debt by improving student loan repayment, including IDR and PSLF, through amending the Higher Education Act.
- Proposes permanently excluding loan forgiveness from gross income, ensuring borrowers would not be taxed on loans that are forgiven in the future.

27

27

The Department of Education

28

28



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



29

29



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.



30

30



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

31

31



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."

32

32



Negotiated Rulemaking: 2021-22

- *Affordability and Student Loans* in fall 2021 addressed:
 - Total and Permanent Disability
 - Closed School Discharge
 - Eliminate Interest Capitalization
 - Improving Public Student Loan Forgiveness
 - Borrower Defense
 - Income Driven Repayment
 - Pell Grant eligibility for incarcerated students
- Negotiations concerning the 90/10 Rule, Gainful Employment, Administrative Capability and other issues concluded in March 2022.

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

33

33

COVID-19

34

34

HEERF Reporting

- HEERF III & II grantees must adhere to the two quarterly reporting requirements originally implemented for HEERF I funding
- The 2021 annual reporting window for all HEERF funds will begin on April 11, 2022 and end on May 6, 2022.
- Covers activities funded between January 1 through Dec. 31, 2021.



NASFAA

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 method(s) 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.

35

35

Borrower Relief

- Repayment pause extended through August 31, 2022
 - "Fresh start": ED will move borrowers who were in default/delinquency prior to the initial pause into good standing when repayment starts
 - Includes the administrative forbearance period, the pause in interest accrual, and the suspension of collections activity
- Income documentation requirements waived for student loan borrowers with total and permanent disability (TPD) conditional discharges.
- Collections and interest accumulation halted for privately-held FFEL borrowers who are currently in default



36

36



COVID Related Updates

- COVID-19-related waivers and modifications generally extend through the end of the payment period that begins **after the date** the COVID-19 national emergency is rescinded
 - 12/11/21 *Federal Register* notice
- The national emergency was extended from March 1, 2022 to March 1, 2023 (automatic one-year extension)

37

37

NASFAA Update

38

38



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.



39

39




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!

40

40



National Student Aid Profile

Overview of 2021 Federal
Programs

41

41

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.



42

42



NASFAA National Conference Registration is OPEN!



43

43



44

44