

HIGHER EDUCATION ACT REAUTHORIZATION



In 2012, NASFAA began eliciting recommendations for reauthorizing the Higher Education Act. From 670 comments gathered at 37 listening sessions, a task force of experienced, well-respected financial aid professionals and the NASFAA Board of Directors distilled 61 recommendations, released in 2013. Considered a “living” document, NASFAA has continued to examine other issues, which has yielded additional recommendations. Key recommendations are summarized below. For complete information and a full list of recommendations, please visit nasfaa.org/reauth.

PELL GRANTS: *The Federal Pell Grant Program is the largest grant program administered by the Department of Education (ED). The Pell Grant is a need-based grant, and a student does not repay a Pell Grant award.*

- **Flex Pell or Year-Round Pell:** Reinstate student access to two scheduled awards in an award year without the acceleration clause that caused implementation challenges in the past.
- **Super Pell:** Use a “Super Pell” grant to incentivize students to enroll in more credit hours, keeping them on track to graduate on time. A Super Pell would provide extra Pell dollars to students enrolled in more than 12 credits.
- **Pell Schedules:** Revise the month the Department of Education (ED) must use to determine the inflation adjustment add-on to Pell to allow institutions to send out award letters earlier.
- **Make Pell a True Entitlement:** The Federal Pell Grant should be a *true* entitlement with 100% mandatory funding.

DIRECT LOANS: *Under the Direct Loan program, the federal government lends directly to students using federal capital. Federal contractors perform loan origination and servicing.*

- **Loan Amounts:** Establish a single annual limit but step aggregate limits. Eliminate loan proration for final periods of enrollment in programs that are at least a year in length; rather, allow schools to set lower limits for specific populations, academic programs, credential levels, or other categories established by the school. Allow high-performing schools, based on a CDR metric, to increase loan limits.
- **Loan Fees and Subsidies:** Eliminate loan origination fees. Reinstate graduate student eligibility for interest subsidies. As of 2012, graduate students must repay interest accrued on Direct Loans while enrolled.
- **Separate Grad PLUS from Parent PLUS:** The PLUS program encompasses both parents and graduate students, applying the same credit standard to both groups despite different borrower profiles. The programs should be separated, and underwriting standards for new parent borrowers tightened to include an assessment of ability to repay, such as a debt-to-income ratio.
- **Public Service Loan Forgiveness (PSLF):** Retain the eligibility criteria to qualify for PSLF. Institute limits on the amount of forgiveness. Keep PSLF untaxed. Make PSLF program data public. Strongly encourage annual submission of employment certification forms. Increase communication to borrowers about PSLF.

FAFSA AND NEED ANALYSIS: *Student and family financial information is obtained from the Free Application for Federal Student Aid (FAFSA), and the needs analysis formula is the starting point for determining eligibility for aid.*

- **FAFSA:** Institute a three-level application process where, after answering demographic and dependency status questions, applicants would be steered down one of three paths based on responses to screening questions.
- **IRS DRT:** Expand and refine the IRS Data Retrieval Tool to include all line items on IRS Form 1040 but not schedules.
- **PPY:** Solidify the use of prior-prior year (PPY) income information as the baseline for future simplification efforts.
- **Formula Revisions:** Restore inclusion of certain forms of currently excludable income and assets. Reverse “paper” losses. Eliminate the simplified needs test. Align household size with IRS definitions of dependents.

CAMPUS-BASED PROGRAMS: *Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan programs are administered directly by schools and require an institutional contribution.*

- **Allocation Formula:** Reconstruct the income bands used to determine institutional need for campus-based programs to more accurately report student need. Eliminate the Base Guarantee and include phase-in protection so no institution has a decrease or increase of more than 10% per year. Restructure the FSEOG formula to be based on the amount of Pell funding received by the institution. Increase the percent of self-help assumed in the undergraduate institutional need calculation of the FWS and Perkins Loan formulas to 35% self-help.
- **Transfer of Campus-Based Program Funds:** Allow transfer of 15% of current year Perkins collections to FSEOG or FWS; allow 50% of FWS allocation to be transferred to FSEOG or Perkins; allow 50% of FSEOG to be transferred to FWS. This is a modification of the permissible percentages currently in law.
- **Federal Work Study (FWS):** Allow institutions to count FWS employment in all on-campus child care facilities as community service. Eliminate the cap on private sector employment.
- **FSEOG Eligibility:** Eliminate awarding by lowest EFCs but restrict eligibility to Pell-eligible EFCs.
- **Perkins:** Continue to discuss the program's future within the context of reauthorization. If the program expires, ensure an equitable closeout where institutional contributions remain with the institution.

CONSUMER INFORMATION: *As a condition of awarding and disbursing federal student aid funds, postsecondary educational institutions are required to report and disclose certain consumer information to students and families.*

- **Effectiveness:** Require a study to review the effectiveness of current consumer requirements and require consumer testing when implementing any new consumer information requirements.
- **Intended Audience:** Restrict information inapplicable to graduate students to undergraduate students.
- **Loan Consumer Information:** Make ED and loan servicers responsible for distributing loan-related consumer information, including debt management.
- **Award Letters:** Standardize elements and terms of award letters, but allow institutions to craft their own letters.
- **Student Unit Record:** Repeal the ban on the federal-level student unit record and work to develop a limited student unit record that collects more accurate and comprehensive data on student behavior.

RETURN OF TITLE IV FUNDS: *The Return of Title IV Funds, or R2T4, process explains how to handle a student's federal aid funds when he or she withdraws from school before completing the payment period or period of enrollment.*

- **Simplify the Return of Title IV Funds (R2T4) Process:** Restrict law and regulation to undergraduates, leaving treatment of graduate students to institutional policy. Allow schools that are not required to take attendance to set institutional policy regarding treatment of students who leave without officially withdrawing; continue to require that schools have an accessible, publicized withdrawal procedure. Recognize non-federal aid that pays for specific charges and allow schools more time to process R2T4 by increasing the period of time schools have to return funds from 45 to 60 days. Direct ED to renegotiate treatment of modules.

GENERAL PROVISIONS:

- **Ability to Benefit:** Restore the provision, based on a successful 2008 experimental site, briefly enacted in 2011, allowing a student who does not have a high school diploma or equivalent, and was not home-schooled, to meet the general student eligibility requirement concerning academic credentials by completing, with the equivalent grade of C or better, at least 6 credit hours of college coursework that is applicable toward a degree or certificate.
- **Over-award Tolerance:** Allow an over-award tolerance of \$500 in cases where the student receives additional resources after packaging, applicable to the campus-based and Direct Loan Programs.
- **Selective Service:** Eliminate provision requiring institutions to monitor and enforce selective service registration.
- **Drug-related Ineligibility:** Eliminate the tie between student eligibility and drug convictions