



# **Federal Student Aid Upcoming Statutory Changes**

**Jeff Baker**

**Federal Student Aid**

**May 16, 2012**

# Today's Topics



- Federal Student Aid – Authorities
- Federal Student Aid Programs
- Consolidated Appropriations Act – 2012
- Other Legislative Loan Changes
- President's 2013 Budget



# Federal Student Aid Authorities

# Authorities and Responsibilities



Statutory Authority – Higher Education Act of 1965, as amended (the HEA)

- Title I – Institutional Eligibility
- Title IV – Student Assistance Programs

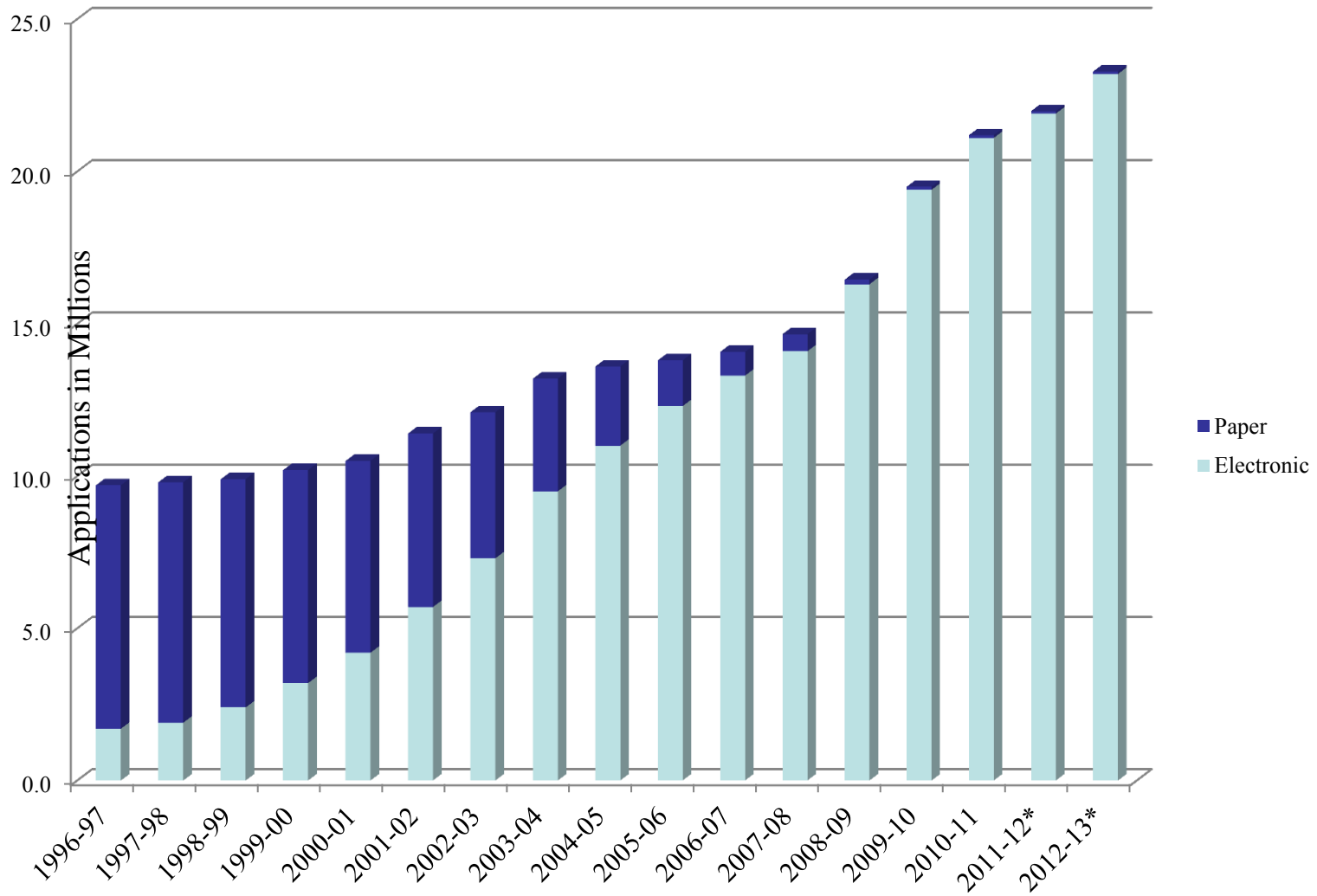
Regulatory Authority –

- Institutional Eligibility - 34 CFR Part 600
- Student Assistance Programs – 34 CFR
- Part 668 to Part 694



# Federal Student Aid Programs

# FAFSA Numbers



# Programs, Students, and Dollars



	Award Year 2010-2011	
Title IV Aid Program	# of Students	\$ Disbursed to Students
Direct Loans	19.2 million	\$104.2 billion
FFEL	N/A	N/A
Pell Grants	9.6 million	\$35.6 billion
Teach, ACG, SMART	0.9 million	\$1.1 billion
Campus-Based Aid	2.8 million	\$3.1 billion
<b>TOTAL</b>		<b>\$143.9 billion</b>



# Consolidated Appropriations Act – 2012





# Ability-to-Benefit (ATB)



- Eliminates Title IV eligibility for students without a high school diploma (or equivalent)
  - Exceptions for home-schooled students
  - Applies only to students “who first enroll on or after July 1, 2012”

# Ability-to-Benefit (ATB)



- Recognized equivalent of a high school diploma at 34 CFR 600.2 –
  - GED
  - State authorized test
  - Two-year program acceptable for a BA program
  - Excelled academically in high school

# Ability-to-Benefit (ATB)



- Students who are or were enrolled at a Title IV-eligible institution anytime prior to July 1, 2012 may continue to qualify under one of the ATB alternatives –
  - Passing an independently administered, approved ATB test.
  - Successfully completing at least six credit hours or 225 clock hours.

# Pell Grant Duration of Eligibility



- Reduces the duration of a student's eligibility to receive Pell Grant from 18 semesters (or its equivalent) to 12 semesters (or its equivalent).
- Applies to all students effective with the 2012-13 award year.
- Calculation includes all earlier years of the student's receipt of Pell.

# Pell Grant Duration of Eligibility



- Calculate the equivalency by adding together each of the annual percentages of a student's scheduled award that was actually disbursed to the student.
  - LEU – Lifetime Eligibility Used
  - Once LEU reaches 600%, student no longer eligible.
  - If LEU more than 500%, but less than 600%, partial eligibility for next award year.

# Pell Grant Duration of Eligibility



- Example –
  - Student's Scheduled Award was \$5,550, but only received \$2,775 because only enrolled for one semester, will have used 50% of that award year's scheduled award.
  - Student who was enrolled three-quarter time for the entire award year would have used 75% of his scheduled award.
  - This student's LEU is 125% of the total 600%.

# Pell Grant Duration of Eligibility



- Beginning in mid April FSA began –
  - Sending schools weekly reports of their 2012-2013 applicants who have LEUs of more than 450%
  - Sending e-mails to students who have LEUs of more than 500%

# Grace Period Interest Subsidy

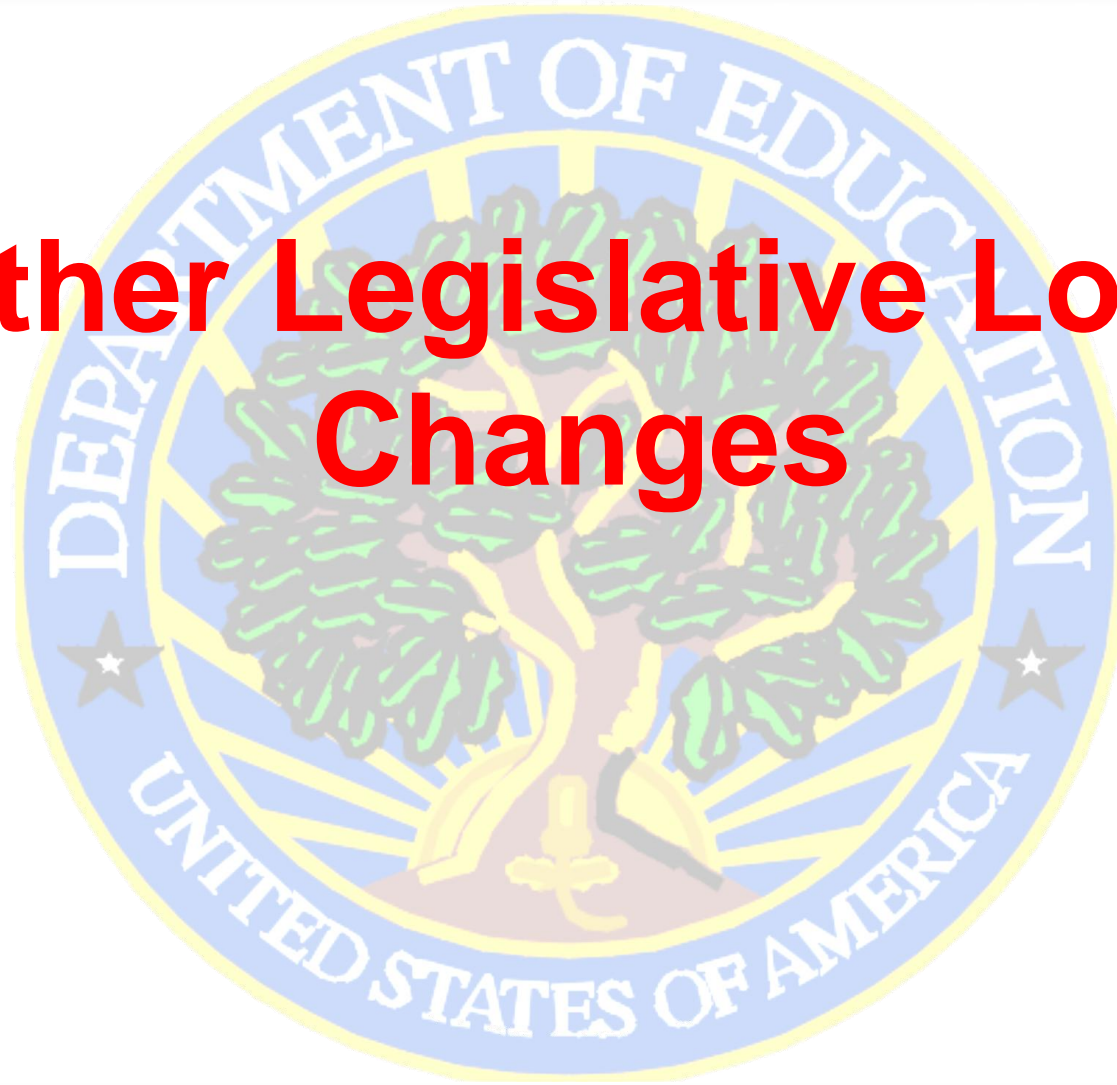


- Temporarily eliminates the interest subsidy on Direct Subsidized Loans during the six-month grace period.
- Applies to new Direct Stafford Loans for which the first disbursement is made on or after July 1, 2012, and before July 1, 2014.





# Other Legislative Loan Changes



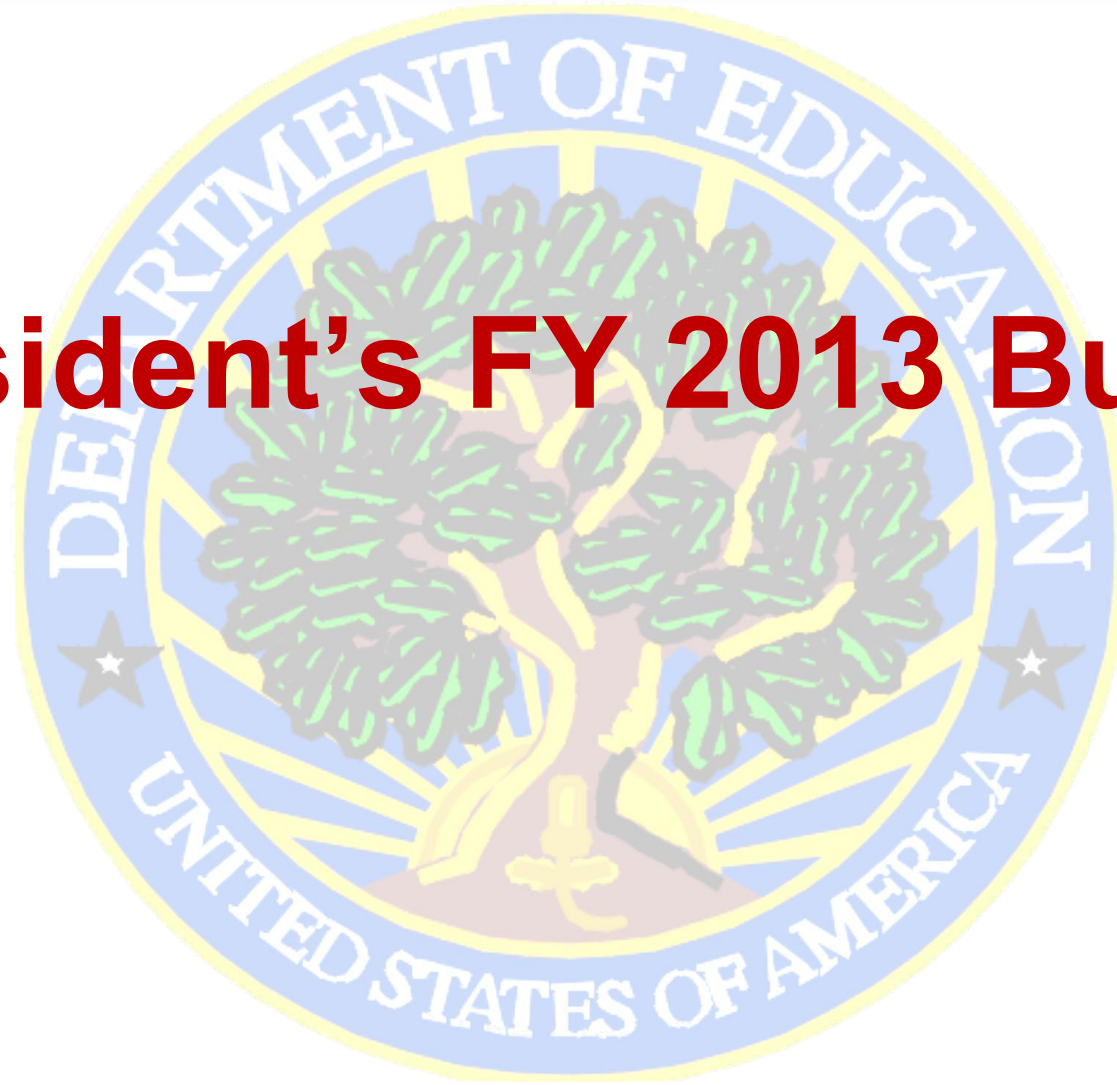
# Interest Rates



- CCRAA reduced the interest rate on subsidized loans made to undergraduates in stages from 6.8% to the current 3.4%.
- The reduced rates end on July 1, 2012.
- Interest rate on subsidized loans first disbursed on or after July 1, 2012 to undergraduate students will be 6.8 percent.
- Same rate as on subsidized loans made to graduate students and to all unsubsidized loans.



# President's FY 2013 Budget



# FY 2013 Budget



- \$5,635 maximum Pell Grant award for 2013-2014
- Maintain the subsidized loan interest rate for undergraduate students at 3.4 percent for undergraduates until July 1, 2013
- Limit the duration of the Stafford Loan in-school interest subsidy to 150 percent of the normal time required to complete the borrowers' educational program.

# FY 2013 Budget



- Expand and improve the Perkins Loan program to provide \$8.5 billion in loans annually
- Provide \$150 million in new funds for the Work-Study Program
- Reform and expand Federal allocations in the campus-based programs

