

# NASFAA's Federal Update: Inside the Beltway


Fall 2023  
Karen McCarthy, NASFAA

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## Agenda

- Inside the Beltway
- Happenings on the Hill
- Federal Budget & Funding
- Department of Education Update
- NASFAA Update

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## Inside the Beltway

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## Dynamics in Washington

- Potential Government Shutdown
- Biden Administration
- Split Control of Congress
- 2024 Presidential Election



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## Potential Government Shutdown

- In the past, FSA systems remained up and running
- Servicing of student loan repayment would likely continue but could be disrupted if the shutdown continues for a prolonged period of time
- Agencies (i.e., ED and others) will need to determine who is considered essential personnel
- A Negotiated Rulemaking session on Student Loan Debt Relief is scheduled to begin October - this is likely to be interrupted
- It is unclear whether and how a shutdown would impact the release of the 2024-2025 FAFSA

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## The Biden Administration

### 2020 High Level Priorities

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



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## The Biden Administration Progress So Far

Administrative Priorities	Achieved	In Progress/Partial	Paused/Not Started
Free College			Plan was included in an initial draft of Build Back Better but was removed from the introduced draft. No movement since.
Doubling Pell		Pell increased by an additional \$400 for 2022-23 award year. \$6,895 maximum. Pell increased by \$500 for the 23-24 award year. \$7,395 maximum. Budget proposal: Doubling of the maximum Pell Grant by 2029	Budget proposal: Repealing the taxability of Pell Grant aid
Debt Cancellation & Forgiveness		Forgiven/canceled \$11.5 billion in student loans through borrower defense, total & permanent disability, PSLF	Created targeted loan cancellation program in which some borrowers will be eligible for either \$10,000 or \$20,000 (if they received a Pell Grant) in forgiveness; blocked by the Supreme Court in June 2023  After being blocked by the Supreme Court, ED will pursue the targeted loan cancellation program through the negotiated rulemaking process (scheduled to begin October 2023)
Reform PSLF & Repayment Simplification		Instituted limited PSLF waiver to add more eligible payments to current enrollees payment timeline  Created a new IDR plan through the negotiated rulemaking process	
DACA Reform	Final DACA regulations released by the Administration in August 2022 aiming to strengthen the DACA program.		

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## 2024 Presidential Election



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## Borrower Relief Initiatives

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## Borrower Relief: Fresh Start

- Allows eligible borrowers in default to:
  - Have their default status removed
  - Regain access to all Title IV federal student aid programs
  - Benefit from collection relief:
    - Wage garnishment
    - Withholding tax refunds, etc.
    - Government credit reporting
  - Enroll in income-driven repayment (IDR) plans that potentially restore access to loan forgiveness, such as Public Service Loan Forgiveness (PSLF)
- Does not include Title IV loan or grant overpayments
- This program will remain available for one year after the end of the repayment pause that ended on August 29, 2023
- Borrowers who want to take advantage of this initiative must opt into the program by August 29, 2024

[www.nasfaa.org/fresh\\_start](http://www.nasfaa.org/fresh_start)

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## Borrower Relief: Loan Cancellation

- In August 2022, President Biden announced a one-time debt cancellation plan for some borrowers.
- SCOTUS heard arguments about the program's legality in February 2023
- Following months of legal challenge, the Biden Administration's plan was blocked by SCOTUS in a decision handed down on June 30, 2023
- While student loan repayment is set to resume in October 2023, ED has announced various initiatives relating to how the administration will handle the transition into repayment
- ED will also pursue implementing the one-time debt cancellation program through the negotiated rulemaking process, which may not be finalized until after the 2024 presidential election

[www.nasfaa.org/debt\\_cancellation](http://www.nasfaa.org/debt_cancellation)

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## Borrower Relief: Repayment Pause Extension

- In June 2023, President Biden signed into law a bill to suspend the nation's debt ceiling, which put the previously planned end to the repayment pause into statute
- Interest on student loans began accruing on September 1, 2023
- Student loan payments will be due beginning in October 2023
- The Biden Administration is offering a 12-month on-ramp to repayment
  - Borrowers who struggle to make payments during this time will not experience the adverse consequences of delinquency and default
  - They will not be reported to credit bureaus or referred to debt collection agencies
  - Interest will still accrue during this on-ramp period

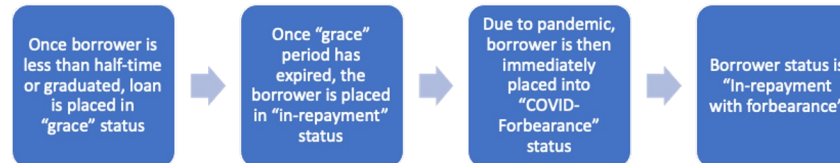
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## Repayment Resumption & CDR

Servicers have continued throughout the pandemic related repayment pause to process borrowers in the same way



The date of this action triggers what cohort the borrower will belong to.

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## New IDR Plan: SAVE Plan

### Saving on an Valuable Education (SAVE) plan

- Revises the current REPAYE plan
- Other income-driven plans (ICR and PAYE) will be sunsetted as of July 1, 2024
- Was negotiated in rulemaking without reaching consensus

#### Plan details:

- Auto-Renewal: If a borrower consents to disclose their tax information, their monthly payment will be adjusted and their enrollment in IDR will be automatically recertified every year
- Auto-Enrollment: Borrowers will be automatically enrolled into SAVE if they are currently enrolled in or recently applied to the REPAYE plan (which will be replaced by the SAVE plan)
- Eliminates negative amortization (available summer 2023)
- Income below 225% of the poverty line is protected (available summer 2023)
- Excludes spousal income for borrowers who are married and file separately (available summer 2023)
- Monthly payment 5% of discretionary income for undergraduate debt - 10% for graduate debt
- 20 years to cancellation for undergraduate debt - 25 years for graduate debt
  - Cancellation after 10 years for balances \$12k or lower

All provisions will go into effect on July 1, 2024 except where noted

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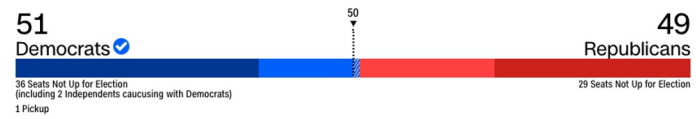
# Happenings on the Hill

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# 118th Congress: Senate



HELP Committee Leaders Sen. Sanders & Sen. Cassidy

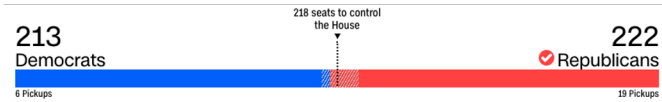
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## 118th Congress: House



House Committee on Education & the Workforce Leaders: Rep. Scott & Rep. Foxx

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## HEA Reauthorization



- Last reauthorization in 2008
  - Current version of HEA technically expired in 2013
- House
  - House Democrats: Introduced College Affordability Act during 116th Congress. No comprehensive HEA bills introduced during 117th or thus far during 118th.
- Senate
  - No comprehensive HEA proposal introduced in the Senate during the 116th, 117th, or thus far during 118th.
  - Bipartisan support needed to achieve comprehensive reauthorization.
- No movement thus far on HEA during 118th.

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## FAFSA Simplification Act

- Passed in December 2020.
- ED will employ a phased implementation of the changes made to federal methodology (FM) and the FAFSA.
  - FAFSA Simplification
  - Need Analysis/Pell Grant Eligibility
  - Drug Convictions & Selective Service Registration
  - SULA
  - Pell for Incarcerated Students
  - Professional Judgment
  - Cost of Attendance
- Builds on FUTURE Act passed in 2019.



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## Timeline for FAFSA Simplification

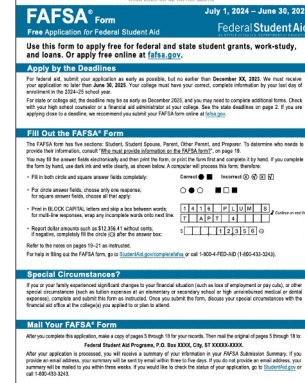
Changes	Implementation Status
Drug Convictions	Implemented as of 21-22 award year.
Selective Service Registration	Implemented as of 21-22 award year.
SULA	Implemented as of 22-23 award year.
Pell for Incarcerated Students	Scheduled for 23-24 award year implementation..
Professional Judgment	Scheduled for 23-24 award year implementation.
Cost of Attendance	Scheduled for 23-24 award year implementation.
Provisional Independent student status	Scheduled for 23-24 award year implementation.
Expansion of Pell LEU Restoration & Acceptable Documentation for Unaccompanied/Homeless Youth	Scheduled for 23-24 award year implementation.
FAFSA Form Changes	Authorized and planned for 24-25 award year implementation.
Need Analysis/Pell Grant Eligibility	Authorized and planned for 24-25 award year implementation.
FUTURE Act	Implementation planned for 24-25 award year.

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## Draft 2024-2025 FAFSA Released

- First draft: March 2023
  - New look and significant reorganization
  - Contains several new questions required by the FAFSA Simplification Act
- Second draft: September 15, 2023
  - Language changes
    - Other Parent is now Parent Spouse or Partner
    - Consent to Retrieve/Disclose FTI is now FTI Consent and Approval
  - More reorganization
  - NASFAA wins
    - Clarification that schools can't see gender and race/ethnicity answers
    - Better options for identifying first-generation status



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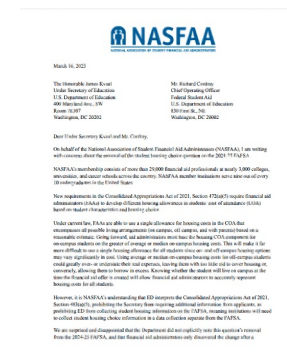
## 2024-2025 Removed Questions

ED has removed several questions from the 2024-2025 FAFSA including:

- Student housing choice
- FWS interest
- Taxable earnings from need-based employment

The FAFSA Simplification Act has prohibited ED from including these questions on the new FAFSA.

NASFAA sent a letter to ED and FSA warning them about the implications of removing the housing question.



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## FSA Roadmap for 2024-2025

FSA released a “roadmap” outlining delivery dates for the 2024-25 FAFSA resources

Notable Dates/Items:

- The 2024-25 FAFSA will be released in December
- Tools for FAAs to explain the change from EFC to SAI and Pell look-up tables were released in late May.
- A near final FAFSA ISIR layout was released in April
  - Final will be released in October
- Our understanding is that in October, ED will be communicating with students who applied in 23-24 to let them know about the 24-25 delay to avoid them completing another 23-24 form
- In October 2023, ED plans to release what they’re calling a 2024-25 FAFSA prototype
  - This will illustrate what the online FAFSA experience will look like but will not be a fully functional demo site

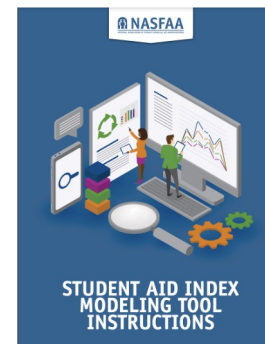
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## NASFAA’s SAI Modeling Tool

- 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.



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## NASFAA's FAFSA Simplification WebCenter

- SAI formula/Pell eligibility flowchart
- Charts summarizing changes
- Implementation Timeline
- School checklist
- Community resource library: communication samples
- **Updated** Monograph: Developing the Cost of Attendance, Practical Information for Student Aid Professionals
- **Updated** Monograph: Professional Judgment in Eligibility Determination and Need Analysis

[www.nasfaa.org/fafsa\\_simplification](http://www.nasfaa.org/fafsa_simplification)

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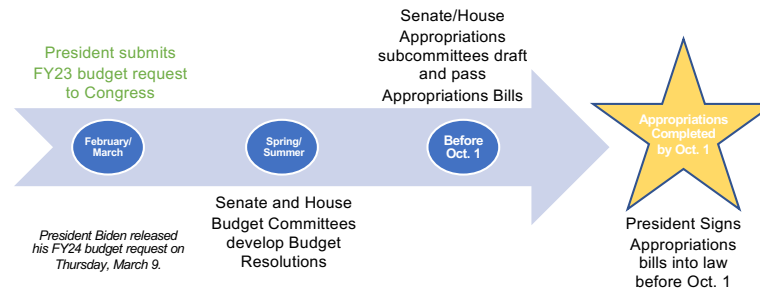
## Federal Budget & Funding

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# Looking Ahead: FY2024 Funding



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## FY 2024 Budget Request

	Biden Administration	House of Representatives	Senate
Pell Grant	<b>\$8,215 Maximum Award</b> \$500 discretionary increase through appropriations process, additional \$320 increase in mandatory funding through changes to HEA.	<b>\$7,395 Maximum Award</b> Flat-funds the maximum Pell Grant, no increase over FY 2023.	<b>\$7,645 Maximum Award</b> \$250 increase, rescinds \$200 million from program's reserves.
FWS	<b>\$1.23 billion</b> No increase over FY 2023.	<b>Eliminates the FWS program.</b>	<b>\$1.22 billion</b> \$10 million decrease from FY 2023 enacted level.
FSEOG	<b>\$910 million</b> No increase over FY 2023.	<b>Eliminates the FSEOG program.</b>	<b>\$900 million</b> \$10 million decrease from FY 2023 enacted level.
Student Aid Administration	<b>\$2.7 billion</b> \$620 million increase over FY 2023.	<b>\$1.77 billion</b> 13% decrease from FY 2023 enacted level.	<b>\$2.2 billion</b> \$150 million increase from FY 2023 enacted level.

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# NASFAA's Call to Action

As a result of the House Appropriations FY 2024 budget proposal, NASFAA launched an advocacy campaign to protect student aid funding that includes:

- Instructions on how to contact your representative
- A sample letter that can be customized with your information and used when you reach out to your representative
- Additional talking points that can be used for background as you engage in conversations with lawmakers
- A statement from NASFAA President & CEO Justin Draeger on how these proposed cuts would impact students



Available at:

[https://www.nasfaa.org/student\\_aid\\_funding](https://www.nasfaa.org/student_aid_funding)

## Call to Action: FY 2024 Appropriations Sample Letter

Below is sample text that you may wish to use when you reach out to encourage your representative to support funding for critical student aid programs in the fiscal year FY 2024 appropriations bill.

### Subject: Protect Funding for Federal Student Aid Programs

Dear Representative [Name],

My name is [Name] and I am the [Title] at [Institution/Company]. I am writing to you as a constituent to request that you support funding for critical student aid programs in Congress' consideration of your FY 2024 appropriations bill. The House Labor, Health and Human Services, Education, and Related Agencies (LHRA) Appropriations Subcommittee recently released a budget proposal for FY 2024 that calls for significant cuts to the Pell Grant program.

Most notably, the proposal eliminates the Federal Work-Study (FWS) and Federal Supplemental Educational Opportunity Grant (FSEOG) programs, which provide \$1.2 billion and \$120 million, respectively, in funding to our country's neediest students each year. The bill also eliminates the National Endowment for the Arts and the National Endowment for the Humanities. FWS funds were distributed to 2.2 million of FWS students, and 1.1 million of FSEOG students. FSEOG funds were distributed to 1.1 million of FSEOG students. Eliminating the FWS and FSEOG programs will have a significant impact on your constituents, particularly low-income students who rely on these programs to cover the costs of postsecondary education.

The Pell Grant is the cornerstone of the federal student aid program, providing critical higher education for 6.2 million students each year. Many of whom are low-income, first-generation college students. The bill would cut Pell Grant funding by 10% from the current \$4,000. The bill for funds the maximum Pell Grant award at \$7,200 for 2024-25. This would mean that even students that are Pell Grant recipients would see their Pell Grant award cut by 10% from the current \$4,000. Further decreasing the program's funding would mean that the Pell Grant would no longer be available to all eligible students. This would mean that many of our country's neediest students would no longer be able to afford higher education. This would mean that many of our country's neediest students would no longer be able to afford higher education.

Together, these three programs make certain that students throughout your district have the support they need to access and succeed in higher education. I urge you to support the Pell Grant and support funding for the FWS, FSEOG, and Pell Grant programs in FY 2024 to ensure our students have the resources they need to succeed in their postsecondary education.

I am happy to discuss this issue further and answer any questions you might have. Thank you again for your support of higher education and our country's students and workforce.

Sincerely,

[Your name and contact information]

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# Department of Education

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## Next Gen: Student Loan Servicing

- In March 2022 FSA published a Request for Information (RFI) outlining their plans for their federal loan servicing procurement process
- Major Future Initiatives:
  - single sign-on platform run through the StudentAid.gov website
  - improvements for PSLF, TEACH and TPD borrowers on the StudentAid.gov website
    - Receive recertification reminders for the PSLF and TEACH programs
    - Apply for reconsideration for TPD and PSLF
    - e-sign and submit documents
  - All five servicers will now maintain borrower accounts regardless of loan program
    - Any manual work required for these borrowers will be handled by FSA's Business Process Operations (BPO) vendors.
    - This change allows borrowers to stay with the servicer they were originally assigned to when they enter repayment.

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## Next Gen: Student Loan Servicing

- The final procurement which was released May 19th 2022 has resulted in the awarding of contracts to 5 servicers going forward:
  - Nelnet
  - MOHELA
  - EdFinancial
  - Maximus (AidAdvantage)
  - Central Research, Inc. (new servicer)
- FSA will work with these companies until their contracts officially start in Spring 2024
- FSA noted that borrower account allocations have not yet been determined, but FSA's priority is to "reduce borrower disruptions as much as possible."
- New accountability and customer service metrics will be instituted to provide better borrower support

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## Repayment Counting Overhaul: PSLF

- On October 25, 2022 ED announced one-time payment account adjustments for borrowers in IDR plans and those working towards PSLF
- Adjustments will be made to borrowers' accounts for:
  - Any month in which a borrower was in a repayment status, regardless of whether payments were partial or late, the loan type, or the repayment plan;
  - Any month in which loans were in an eligible repayment, deferment, or forbearance status prior to consolidation;
  - Months while a borrower spent at least 12 months of consecutive forbearance;
  - Months while a borrower spent at least 36 cumulative months in forbearance; and
  - Any month spent in deferment (exception for in-school deferment) prior to 2013.
- PSLF borrowers will also now receive credit for payments that:
  - Are late, partial, or lump sum payments if the borrower also certifies qualifying employment.
  - Would have been made while in deferment or forbearance if the borrower also certifies qualifying employment.
    - Such as: military service or deferments for economic hardship or cancer treatment

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## Repayment Counting Overhaul: IDR

- On July 14, 2023, ED announced loan forgiveness for 804,000 borrowers in IDR plans who, as a result of payment account adjustments, reached the 20 or 25 year threshold for loan forgiveness
- Adjustments will be made to borrowers' accounts for:
  - Any month in which a borrower was in a repayment status, regardless of whether payments were partial or late, the loan type, or the repayment plan;
  - Any period in which a borrower spent 12 or more consecutive months in forbearance
  - Any month in forbearance for borrowers who spent 36 or more cumulative months in forbearance
  - Any month spent in deferment (except for in-school deferment) prior to 2013
  - Any month spent in economic hardship or military deferments on or after January 1, 2023
- ED will continue notifying new groups of eligible borrowers every two months who reach the forgiveness thresholds (20 or 25 years of payments, depending on the IDR plan and type of loan)
  - This will happen until next year, when borrowers who are not yet eligible for the forgiveness will see updates to their payment count

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## ED RFI: Low-Financial-Value Programs

- ED plans to publish an annual list of low-financial-value programs
  - Will include all programs; not limited to GE programs
- The term "low-financial-value program" is being used to describe programs in "which total costs exceed the financial benefits provided to students."
- Programs wouldn't lose Title IV funding; would just have public "marker" as low-value
- ED has solicited public comment on how they should go about developing the list, including the data, metrics, and methodology it could use to identify such programs.
  - NASFAA has submitted comments

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## Third-Party Servicers

- Broad reinterpretation of entities considered third-party servicers
  - New categories for
    - Recruitment
    - Retention
    - Providing instructional content
  - Expansion of who is considered TPS in existing categories
    - Computer services
- TPS classification based on activities performed vs. entity
- ED has rescinded all foreign owned third party servicer guidance going back to 2016.
- After the recent 60-day comment period, FSA has pushed back the effective date indefinitely pending new guidance from ED.
  - The new effective date will be at least six months after the publication of that guidance.

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## Negotiated Rulemaking: 2021-22

Final rules issued in 2022 (effective date July 1, 2023):

- Borrower Defense to Repayment
- Pre-dispute Arbitration and Class Action Waivers
- Total and Permanent Disability
- Closed School Loan Discharge
- False Certification Loan Discharge
- Student Loan Interest Capitalization
- Public Service Loan Forgiveness
- Prison Education Programs
- 90/10 Rule
- Change in Ownership

Notice of Proposed Rulemaking released in 2023:

- IDR
- Ability to Benefit
- Gainful Employment
- Financial Responsibility
- Administrative Capability
- Certification Procedures

If ED publishes final rules by Nov 1, 2023, they will be effective July 1, 2024

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## Negotiated Rulemaking 2023-2024

The Department of Education (ED) announced 23-24 topics to be negotiated:

- Federal TRIO Programs
- Accreditation and Related Issues
- State Authorization
- Return of Title IV Funds
- Cash Management
- Third-Party Servicers and Related Issues
- Improving use of Deferments and Forbearances
- Distance Education
- Student Loan Debt Relief (Scheduled to begin 10/10/2023)

As a reminder, according to ED's master calendar final regulations that are published on or before Nov. 1, 2024 will go into effect July 1, 2025.

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# NASFAA Update

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COLLEGE COST  
TRANSPARENCY INITIATIVE™

NASFAA – along with 10 higher education associations representing college presidents, financial aid offices, enrollment managers, and admissions counselors – launched a task force with the goal of creating a set of principles and standards about what information should be included in institutional aid offers so the resulting documents are clear, meet high standards of transparency, and contain consumer friendly information, while still allowing for institutional customization.

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PARTNER  
INSTITUTIONS

3,091,286

STUDENTS  
SERVED

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STATES  
REPRESENTED

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## Resumption of Loan Repayment Task Force

The Resumption of Loan Repayment report includes operational and accountability considerations for institutions. The Student Loan Repayment Toolkit includes easy-to-use resources, such as infographics and social media posts, designed to help FAAs communicate with borrowers as they begin transitioning back into repayment.



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## Advancing the Profession Toolkit

The purpose of this toolkit is to provide a resource for financial aid directors to use within their offices to ensure they have a voice in institutional decision-making.



Available at: [http://nasfaa.org/atp\\_toolkit](http://nasfaa.org/atp_toolkit)

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## Student Loan Repayment & Servicing Reform

NASFAA has developed thoughtful, systemic, targeted policy solutions to treat the underlying flaws in the current student loan repayment and servicing systems that lead borrowers into financial hardship while underscoring the benefits of a strong federal loan program.

The report outlines more than 30 recommendations to improve student loan servicing practices, rethink the terms and conditions of student loan repayment, increase institutional and program accountability, and reform student loan default.

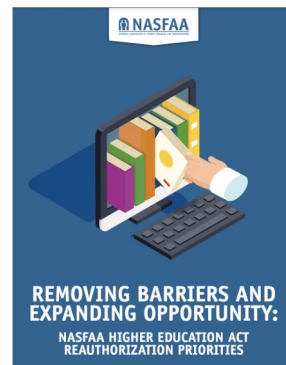


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## NASFAA's HEA Priorities



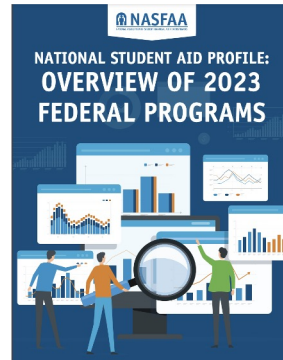
In January 2023, NASFAA published its updated recommendations for HEA reauthorization, including an overview of NASFAA's top HEA priorities and a complete list of our HEA reauthorization positions.

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## National Student Aid Profile



The National Profile provides detailed information about each of the programs authorized under Title IV of the HEA, including:

- Descriptions of the federal student aid programs;
- Updated data on the number of recipients, total volume of awards, and average aid amount for each program;
- Recent trends in federal appropriations for the Title IV programs;
- Income levels of students and families who receive aid; and
- A description of the federal student aid application process

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## 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.



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## Advocacy Opportunities

**VOLUNTEER**

Advocacy Pipeline 

Policy Task Forces 

Get Students Involved! 

**STAY INFORMED!**

Read NASFAA's Today's News and Policy and Advocacy pages on [nasfaa.org](http://nasfaa.org)

**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!

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**NASFAA**  
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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**NASFAA**

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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